

UNITED STATES BANKRUPTCY COURT

DISTRICT OF PUERTO RICO

In Re: ) Docket No. 3:17-BK-3283 (LTS)  
)  
) Title III  
The Financial Oversight and )  
Management Board for )  
Puerto Rico, ) (Jointly Administered)  
)  
*as representative of* )  
)  
The Commonwealth of )  
Puerto Rico, *et al.*, ) July 24, 2019  
)  
and )  
)  
)  
Puerto Rico Electric )  
Power Authority, )  
)  
Debtors. )

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In Re: ) Docket No. 3:17-BK-3566 (LTS)  
)  
) PROMESA Title III  
The Financial Oversight and )  
Management Board for )  
Puerto Rico, ) (Jointly Administered)  
)  
*as representative of* )  
)  
Employees Retirement System )  
of the Government of the )  
Commonwealth of )  
Puerto Rico, )  
Debtor. )

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1  
2 The Financial Oversight ) Docket No. 3:18-AP-149 (LTS)  
and Management Board for )  
3 Puerto Rico, ) PROMESA Title III  
4 )  
Plaintiff, )  
5 v. ) (Jointly Administered)  
6 )  
Puerto Rico Public )  
7 Building Authority, )  
8 )  
Defendant. )

9 OMNIBUS HEARING  
10 BEFORE THE HONORABLE U.S. DISTRICT JUDGE LAURA TAYLOR SWAIN  
11 UNITED STATES DISTRICT COURT JUDGE,  
12 AND THE HONORABLE U.S. MAGISTRATE JUDGE JUDITH GAIL DEIN  
13 UNITED STATES DISTRICT COURT JUDGE  
14 AND THE HONORABLE U.S. DISTRICT CHIEF JUDGE BARBARA J. HOUSER  
15 UNITED STATES BANKRUPTCY COURT JUDGE  
16

17 APPEARANCES:  
18  
19 For The Commonwealth  
of Puerto Rico, et al.: Mr. Martin J. Bienenstock, PHV  
20 Ms. Laura Stafford, PHV  
Mr. Brian S. Rosen, PHV  
21 Mr. Michael Firestein, PHV  
22  
For the U.S. Trustee  
Region 21: Ms. Monsita Lecaroz Arribas, AUST  
23  
For Official Committee  
of Unsecured Creditors: Mr. Luc A. Despins, PHV  
24  
For the Adversary  
25 Defendants: Ms. Julie E. Cohen, PHV

1 APPEARANCES, Continued:

2 For Financial Guaranty  
Insurance Company: Mr. Martin Sosland, PHV  
3 Mr. Jason Callen, PHV

4 For the Lawful  
Constitutional Debt  
5 Coalition: Mr. Susheel Kirpalani, PHV

6 For Ad Hoc Group of  
General Obligation  
7 Bondholders: Mr. Mark T. Stancil, PHV

8 For AmeriNational  
Community Services,  
9 LLC: Mr. Nayuan Zouairabani, Esq.

10 For Peter Hein: Mr. Peter C. Hein, Pro Se

11 For Assured Guaranty  
Corporation and Assured  
12 Guaranty Municipal  
Corporation: Mr. William Natbony, PHV

13 For the Official  
14 Committee of Retired  
Employees of the  
15 Commonwealth of  
Puerto Rico: Mr. Landon Raiford, PHV

16 For the QTCB  
17 Noteholder Group: Mr. Kurt A. Mayr, PHV

18 For the Puerto Rico  
Public Buildings  
19 Authority: Mr. Toby L. Gerber, PHV

20 For the Ad Hoc  
Group of PREPA  
21 Bondholders: Mr. Thomas Moers Mayer, PHV

22 For Ambac Assurance  
Corporation: Ms. Atara Miller, PHV

23 For Del Valle Group,  
24 S.P.: Mr. Michael Craig McCall, PHV

25

1 APPEARANCES, Continued:

2 For Corporacion de  
3 Servicios Integrales  
4 de Salud del Area de  
Barranquitas, Comerio,  
5 Orocovis: Mr. John Mudd, Esq.

6 For the Fee Examiner: Mr. Eyck Lugo, PHV

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2	WITNESSES:	PAGE
3	None offered.	
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5	EXHIBITS:	
6	None offered.	
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San Juan, Puerto Rico

July 24, 2019

At or about 9:48 AM

\* \* \*

THE COURT: Again, buenos dias. Good morning.

Welcome counsel, parties in interest, and members of the public and press here in San Juan and in New York and the telephonic participants. It is good to be here in San Juan.

This is a significant time in the history of the Commonwealth, one in which people have expressed hope and pride, as well as their concerns. I said at the first hearing in these cases that the goal of these Title III proceedings is to find a path forward, and that we must work in good faith to enable Puerto Rico to emerge as a stronger place that provides quality education for its future leaders, retains talented people who can contribute to Puerto Rico's future, and is building a vibrant economy that provides for public safety, appropriate support for citizens and return for investors. The Court remains committed to moving forward toward these goals.

As usual, I remind you that consistent with court and judicial conference policies, and the Orders that have been issued, there is to be no use of any electronic devices in the courtroom to communicate with any person, source, or outside repository of information, nor to record any part of the

1 proceedings. Thus, all electronic devices must be turned off  
2 unless you are using a particular device to take notes or to  
3 refer to notes or documents already loaded on the device. All  
4 audible signals, including vibration features, must be turned  
5 off.

6 No recording or retransmission of the hearing is  
7 permitted by any person, including but not limited to the  
8 parties or the press. Anyone who is observed or otherwise  
9 found to have been texting, e-mailing or otherwise  
10 communicating with a device from a courtroom during the court  
11 proceeding will be subject to sanctions, including but not  
12 limited to confiscation of the device and denial of future  
13 requests to bring devices into the courtroom.

14 Our overall timing today is from now until noon or  
15 thereabouts, and from 1:00 to 5:00 PM, as necessary. Due to a  
16 scheduling issue, I'm changing the order of the agenda. So  
17 we'll deal with the items numbered as Roman IV.13 through  
18 Roman IV.18, and Section V of the Agenda immediately after the  
19 contested claim objections. And given the estimated times  
20 listed on the Agenda and prior experience, the Court expects  
21 that we'll turn to those items around 10:30 AM Eastern, local  
22 time or earlier.

23 And so I'd now like to turn to the status reports.

24 Mr. Bienenstock, good morning.

25 MR. BIENENSTOCK: Good morning, Judge Swain. Martin

1 Bienenstock of Proskauer Rose, LLP, for the Oversight Board.  
2 Your Honor, I think this morning I can contribute at least a  
3 few minutes savings to the Court's agenda, of course subject  
4 to the Court's questions.

5 In respect of the general status and activities of  
6 the Oversight Board, a few items, Your Honor. The First  
7 Circuit granted a stay of its mandate through the Supreme  
8 Court's determination of the petitions for certiorari.

9 On June 18, 2019, President Trump formally nominated  
10 all seven voting board members to the United States Senate.  
11 PROMESA Section 101(e)(5) provides that even though the Board  
12 members' terms end August 31, 2019, the Board members serve  
13 until they resign or are replaced. Therefore, the continuing  
14 existence of the Board appears assured through the foreseeable  
15 future.

16 In terms of the Board's activities, the Board  
17 continues to work on the following matters, among others:  
18 Expanding creditor consensus in the PREPA restructuring, the  
19 PREPA transformation, HTA restructuring, compiling more data  
20 for the Commonwealth's proposed disclosure statement and  
21 agreements with more creditor groups in the Commonwealth  
22 restructuring.

23 In addition, the Board staff is very actively engaged  
24 in the implementation and monitoring of its recently certified  
25 new fiscal plan and budget for the Commonwealth. The Board's



1 litigation docket remains active.

2 Concurrently with this Omnibus hearing, the  
3 Governor's appeal is being heard by the First Circuit, where  
4 the Governor is appealing rulings that fiscal plan provisions  
5 he regards as policy choices, whether aimed at fostering  
6 transparency, efficiency or the like, are mandatory as this  
7 Court ruled, or not mandatory as he contends. He is also  
8 appealing the ruling that he cannot change the Board's  
9 certified budget by reprogramming.

10 The Court is familiar with the activity on the  
11 Board's Law 29 Complaint, for which a hearing on the  
12 Governor's Motion to Dismiss is scheduled for August 2. The  
13 Municipality of San Juan is challenging the Board's  
14 designation of it as a covered territorial instrumentality,  
15 and the ERS bondholders have appealed to the First Circuit the  
16 Court's ruling concerning Bankruptcy Code Section 552. And  
17 the Board's certiorari petition relating to the perfection of  
18 the bondholders' security interest is still pending with the  
19 United States Supreme Court.

20 The Board intends to file a proposed Plan of  
21 Adjustment for the Commonwealth, if possible, within a few  
22 weeks, and in any event, as soon as reasonably possible. This  
23 is somewhat later, Your Honor, than the 30 days I announced at  
24 the last Omnibus hearing. The delay is occasioned by the  
25 Board's efforts to compile more data, explore more creditor

1 participation and adjust for current events. Even when the  
2 proposed plan is filed, the Board anticipates a period of  
3 significant additional negotiations with additional creditor  
4 groups before it requests a hearing on its proposed disclosure  
5 statement.

6 Your Honor, that's the end of the remarks I prepared.  
7 Of course if the Court has questions, I'm happy to try to  
8 answer them.

9 THE COURT: I don't at this time. Thank you,  
10 Mr. Bienenstock.

11 And the second item in terms of status reports is a  
12 status report from AAFAF.

13 MR. RAPISARDI: Good morning, Your Honor. John  
14 Rapisardi of O'Melveny Myers on behalf of the Puerto Rico  
15 Fiscal Agency Financial Advisory Authority, AAFAF.

16 First and foremost, Your Honor, I wish to thank you  
17 for the opportunity to address the Court this morning  
18 regarding recent events at AAFAF. Before providing a more  
19 detailed update, I want to make sure that the Court is aware  
20 that the AAFAF Board of Directors remain in place, and the  
21 Board continues to guide and make decisions for that agency.

22 Jose Santiago Ramos is acting as the interim director  
23 of AAFAF through mid August. AAFAF expects a new executive  
24 director will be named in short order. The new executive  
25 director will work closely with AAFAF's restructuring

1 professionals to make sure that there is continuity and no  
2 interruption in ongoing tasks and projects.

3 Other critical members of the AAFAF team remain in  
4 place and continue to work with AAFAF's legal and financial  
5 professionals to further the restructuring effort. AAFAF  
6 receives direction and guidance from Hacienda and the  
7 executive branch, for which continued timeliness is an  
8 important factor and remains in place.

9 As this Court knows, over the past two years, AAFAF  
10 has played a critical role in many matters before this Court.  
11 AAFAF led the first consensual Title VI restructuring on  
12 behalf of the Government Development Bank. AAFAF played a  
13 lead role in negotiating and implementing the Plan of  
14 Adjustment for COFINA. It worked in cooperation with the  
15 Oversight Board to put in place a process to transform PREPA  
16 and to reach consensus with the vast majority of PREPA  
17 bondholders over the terms of the restructuring for PREPA.

18 AAFAF has developed and provided oversight in  
19 development of fiscal plans and budgets for the Commonwealth  
20 and multiple public corporations. It has negotiated and  
21 entered into multiple forbearance and restructuring support  
22 agreements for other entities not in Title III, including a  
23 series of forbearance agreements for PRASA and two recent  
24 restructuring support agreements for PRIFA and PRIDCO.

25 On the litigation front, AAFAF played an essential

1 role in facilitating the Commonwealth's compliance with  
2 extensive discovery requests. AAFAF has cooperated and  
3 collaborated with the Oversight Board and the Commonwealth's  
4 creditors on many issues, although there have been moments of  
5 disagreement and litigation on certain decisions of the  
6 Oversight Board, or positions by creditors very consistent  
7 with the interests of Puerto Rico, of the people of Puerto  
8 Rico.

9 As this Court has delineated and observed, the  
10 Oversight Board and the government play separate but equally  
11 important roles in a monumental and historic restructuring  
12 task that is at hand. And AAFAF will continue to safeguard  
13 the interests of Puerto Rico, the people of Puerto Rico, and  
14 act in a constructive and cooperative fashion with all  
15 parties, including the Board.

16 AAFAF has performed its duties over the past two  
17 years under different management. Due to recent events,  
18 former CEO Christian Sobrino resigned his position.  
19 Mr. Santiago Ramos took over as interim director of AAFAF  
20 immediately upon Mr. Sobrino's resignation and agreed to serve  
21 in that position through mid August.

22 As I mentioned, AAFAF expects his replacement to be  
23 named soon. Other critical members of the AAFAF team remain  
24 in place and continue to work with AAFAF's legal and financial  
25 professionals to further their restructuring effort. AAFAF's

1 statutory mandate remains unchanged. It expects to continue  
2 to play a key and constructive role in the restructuring and  
3 litigation matters pending before this Court.

4 This will, of course, include advancing the interests  
5 of the people of Puerto Rico in connection with any proposed  
6 plan of adjustment that's filed from the Commonwealth and/or  
7 in any other Title III case pending before this Court.

8 At this time, if the Court allows, I will provide a  
9 brief update on AAFAF's ongoing activities on various matters,  
10 Your Honor.

11 THE COURT: Yes, please.

12 MR. RAPISARDI: On the PREPA front, AAFAF continues  
13 to work on the 9019 settlement, as well as efforts to expand  
14 the number of creditor parties to that settlement. AAFAF is  
15 also supporting the transformation process and working with  
16 the Oversight Board on development of the terms of a plan of  
17 adjustment for PREPA.

18 On COFINA, AAFAF is working on the exchange of  
19 restructured sales tax bonds for tax exempt bonds, which is  
20 scheduled to close on August 1st, along with defending appeals  
21 related to the Plan of Adjustment. On PRIDCO, P-R-I-D-C-O,  
22 AAFAF is working to negotiate and draft the solicitation  
23 materials and definitive documentation necessary to implement  
24 the proposed Title VI transaction that is supported by a  
25 majority of PRIDCO's bondholders.

1           With respect to PRIFA ports, AAFAF continues to work  
2 with the Ports Authority and PRIFA to restructure the PRIFA  
3 Ports bonds through an out-of-court restructuring under  
4 PROMESA Section 207, in a transaction that is anticipated to  
5 be supported by more than 90 percent of the applicable  
6 bondholders.

7           On ERS, AAFAF continues to coordinate with the  
8 Oversight Board on the development of factual issues needed  
9 for hearings and legal briefing related to Act 106 and the  
10 extent of the ERS bondholders' liens. As the Court knows, and  
11 Mr. Bienenstock mentioned, next week AAFAF will be arguing its  
12 Motion to Dismiss the Act 29 lawsuit. AAFAF is also joined in  
13 the Oversight Board's papers and filed its own pleadings in  
14 the PRIFA rum bond litigation.

15           AAFAF'S role is important for two reasons in this  
16 matter. First, PRIFA is not a Title III debtor, and AAFAF, as  
17 PRIFA's fiscal agent, is the party with the power to hold the  
18 movants to their contractual restrictions on bringing suit.  
19 And second, as fiscal agent for PRIFA, PRIDCO and the  
20 Commonwealth, AAFAF will necessarily take the lead on  
21 addressing the Rule 2004 motion -- the 2004 motion to the  
22 extent necessary.

23           With respect to undergoing discovery, including  
24 Ambac's motion for pension discovery, AAFAF is working with  
25 the various Commonwealth agencies and public corporations who

1 have been targeted. AAFAF is also currently working with the  
2 Oversight Board and legal advisors to review and reconcile the  
3 over 165,000 proofs of claim that have been filed against the  
4 Title III debtors.

5 I would like to emphasize for the Court that neither  
6 AAFAF, nor its counsel, nor the government of Puerto Rico have  
7 changed or modified your stated legal positions as it may  
8 relate to any matters now pending before the Court. Through a  
9 future informative motion and other communications, AAFAF will  
10 keep the Court promptly informed of any developments regarding  
11 the future governance of AAFAF.

12 Finally, on a personal note, I wish to say it has  
13 been truly, and will continue to be, a privilege and honor to  
14 represent the people of Puerto Rico, which I've been  
15 personally involved over the last two and a half years. Last  
16 night, in walking through the streets of Old San Juan, I was  
17 profoundly struck and humbled with the passion, idealism,  
18 peaceful public participation and democracy in action. May  
19 God bless the people -- may God bless and protect the people  
20 of Puerto Rico.

21 Your Honor, if you have any questions, I am  
22 available.

23 THE COURT: Thank you, Mr. Rapisardi.

24 Is there anyone else by way of status reports?

25 (No response.)

1 THE COURT: All right. Item II on the Agenda is the  
2 fee applications, but those are being dealt with on paper.

3 Sir.

4 MR. LUGO: Good morning, Your Honor. Eyck Lugo on  
5 behalf of the Fee Examiner, very briefly.

6 THE COURT: Oh, I'm sorry.

7 MR. LUGO: Good morning.

8 THE COURT: Good morning.

9 MR. LUGO: Very briefly, as the Court points out, the  
10 only thing pending in today's Agenda pertaining to the Fee  
11 Examiner is the Fee Examiner's Third Interim Consolidated  
12 Application. The objection deadline for that application was  
13 July 23rd. No objections have been received, so we will be  
14 filing a proposed order at the conclusion of today's  
15 hearing.

16 THE COURT: I look forward to that. Thank you.

17 MR. LUGO: Thank you, Your Honor.

18 THE COURT: It's good to see you.

19 So this takes us now to Agenda Item III, which is the  
20 uncontested claims objections.

21 Good morning, Mr. Rosen.

22 MR. ROSEN: Good morning, Your Honor. Thank you very  
23 much. Brian Rosen from Proskauer Rose.

24 Your Honor, if I could, what I'd like to do is  
25 perhaps extend the status report with respect to the claim



1     itself, give the Court a slight update from what happened from  
2     the June Omnibus hearing through this period as well, and also  
3     ask one question. When you were realigning some matters on  
4     the Agenda, I just want to make sure -- there was, right after  
5     the contested claims objections, the motion with respect to  
6     the implementation -- or with respect to the alternative  
7     dispute resolution procedures. Is that to be pushed to the  
8     back as well?

9             THE COURT: Yes.

10            MR. ROSEN: Okay. Thank you.

11            Your Honor, with respect to the uncontested claims,  
12     we have submitted certificates of no objection, Your Honor.  
13     And we noticed yesterday on the docket the Court was entering  
14     orders with respect to I think virtually all of those that had  
15     been submitted by way of a CNO. I'll get to the June ones in  
16     a second, Your Honor, which were still outstanding based upon  
17     your request for a recertification, if you will, or an  
18     auditing process. I'll go through that now.

19            THE COURT: Thank you.

20            MR. ROSEN: Your Honor, we wanted to inform the Court  
21     generally regarding the responses that were filed in  
22     connection with the June Omnibus objections, as well as the  
23     overall claim process, including the number and the amount of  
24     claims that remain pending and with respect to any concerns  
25     that were raised by the Court.

1 First, as the Court recalls, I informed the Court  
2 that following the bar date Order and the logging in of all of  
3 the claims by Prime Clerk, the debtors and the Court, we were  
4 both looking it over, and as Mr. Rapisardi mentioned, over  
5 165,000 proofs of claim that -- had been filed in liquidated  
6 amounts that were in excess of 43 trillion dollars. And I say  
7 liquidated because that is an important issue as we go along.

8 Assuming that orders are entered, Your Honor, with  
9 respect to all of the claims objections that have been filed  
10 to date, including those from June that the Court  
11 preliminarily ruled upon, as well as those that are pending  
12 today, we believe, Your Honor, that the claims process will be  
13 down to approximately 145,000 proofs of claim and totaling in  
14 liquidated amounts in excess of 345 billion.

15 So we've gone down from the trillions to the  
16 billions, but there is still a lot that remains, Your Honor.  
17 And obviously a lot of those are with respect to funded  
18 indebtedness, and we continue to try and get rid of the  
19 duplicative claims there.

20 Of the 145,000 claims, Your Honor, over 100,000 of  
21 those were filed, even though the bar date Order expressly  
22 said that they did not need to be filed because they were not  
23 the types of proofs of claim that we were going to be  
24 considering here. And we'll get to what we refer to as the  
25 admin reconciliation process, but the majority of those, Your

1 Honor, were for tax refunds, union grievances and benefit  
2 plans that we did not think were appropriate to be bringing  
3 before the Court at this time.

4 Your Honor, with respect to even those 100,000, over  
5 80,000 of those proofs of claim were filed in blank, or with  
6 no documentation to support the claim itself. And it's very  
7 unfortunate what unfolded or what we've been able to  
8 ascertain. Many people were told, convinced even, that they  
9 were required to file a proof of claim, even though the Order  
10 said they were not required to do so. And they were charged a  
11 fee by persons who assisted them in connection with the filing  
12 of those proofs of claim.

13 So we have all of these claims on file, Your Honor,  
14 in blank, with no documentation. And that will get us to part  
15 of the process that we want to get to, when we get to the ADR  
16 procedures motion, Your Honor, in connection with a  
17 supplemental mailing, to try and get some more information  
18 from the multitude of people who filed those claims in blank.

19 Your Honor, with respect to the concerns that you  
20 raised at the June hearing as to the claims that you  
21 preliminary ruled upon and where there might have been a  
22 discrepancy or two, first I'd like to note that in the  
23 courtroom, we have today Ms. Julie Hertzberg and Mr. Jay  
24 Herriman, managing directors from Alvarez & Marsal. They are  
25 working with the Oversight Board and with AAFAF in connection

1 with the claims reconciliation process. And to the extent  
2 that I'm not able to answer any questions, I just want you to  
3 know that they are here to address any concerns that remain  
4 for you.

5 THE COURT: Thank you.

6 MR. ROSEN: Your Honor, the objection process has  
7 been extremely educational for all of us with respect to the  
8 complexity of the claims, the process and the claims that have  
9 been filed to date. It alerted both the Oversight Board, A&M  
10 and AAFAF to potential concerns with respect to the claims,  
11 including the fact that claimants did not always understand  
12 the intent of the amendment box and claimants often filed very  
13 similar claims that nevertheless asserted different  
14 liabilities.

15 As a result of that educational process, the debtors  
16 and the Oversight Board and A&M re-reviewed certain Omnibus  
17 objections in advance of the June Omnibus hearing. And at the  
18 Court's request, we proceeded to re-review each and every  
19 claim subject to the June Omnibus objections, and every claim  
20 subject to the July Omnibus objections as well in the weeks  
21 that were following the June hearing.

22 In undertaking this additional review, the  
23 reconciliation agent, A&M, implemented certain changes to the  
24 procedures by which they reviewed claims. From a  
25 technological standpoint, Your Honor, the reviewers used

1 side-by-side computer monitors to ensure that each page of the  
2 claims flagged as duplicates could be reviewed simultaneously.

3 In assessing whether a claim is, in fact, duplicative  
4 or subsequently amended, inferences were decided in favor of  
5 retaining the creditor's claims wherever possible. For  
6 example, to the extent that any claims were not identical  
7 because, for example, the supporting documentation did not  
8 exactly match, the claim was removed from the objection.

9 On their face, many claims appeared to be duplicates  
10 with only slight changes between the claims within the  
11 supporting documentation, and in many instances, Your Honor,  
12 the change was as small as one letter. To the extent that  
13 there was any difference between the two claims, again, they  
14 were removed in an abundance of caution and not subject to an  
15 Omnibus objection.

16 If a claimant checked an amendment box, we  
17 re-reviewed both the original and the amended claim to  
18 determine whether it was, in fact, the intent of the claimant  
19 to amend the original claim. In light of certain responses  
20 received, we now understand that not every claimant who  
21 checked the box indicating they were amending their claim in  
22 fact meant to amend the claim.

23 Upon reviewing certain amended claims, if it appeared  
24 that the claims were actually seeking to assert different  
25 liabilities, we removed them from the Omnibus objections.

1 These responses educated us to the possibility of problems  
2 with a wider pool of claims subject to the July Omnibus  
3 objections. And as a result, where we had concerns about  
4 whether the parties intended to amend their claims, we reached  
5 out to the parties to ensure we did our best -- to ensure,  
6 excuse me, we did our best not to remove any parties where,  
7 one, it looked like they didn't actually intend to amend a  
8 claim but we're adding to it, or were actually including  
9 additional bases for the claim; or two, they filed duplicate  
10 claims but were intending to file claims on behalf of  
11 different parties, thus the one letter change sometimes, Your  
12 Honor.

13 After all the claims were re-reviewed using these  
14 protocols, each and every claim pair was reviewed by  
15 Mr. Herriman to ensure -- and Ms. Hertzberg to ensure that  
16 everyone was properly treated. And to the extent, Your Honor,  
17 that we even had doubts after this review process, we removed  
18 the claims, even if they were claims we would typically keep  
19 on an objection, just to provide additional protection for the  
20 claimant until follow-up inquiries can be made through the  
21 subsequent mailing process, if and when it is approved by this  
22 Court, pursuant to the ADR motion that we have on file.

23 So based upon that review process, Your Honor, we  
24 then certify the June Omnibus Hearing objections so -- that  
25 were preliminary approved by the Court. And those remain

1 pending before the Court, Your Honor, but we believe that we  
2 have removed all of those where there might have been a  
3 possibility of a duplicate claim that was intended to be  
4 something else.

5 And what is left, Your Honor, from that June hearing  
6 now are just the claims that we believe were rightfully  
7 subject to the Omnibus hearing in June.

8 THE COURT: I'm very glad to hear that you have gone  
9 through this meticulous process and changed baseline elements  
10 of the process to ensure that claim filings are properly  
11 understood and that people understand what's going on.

12 Now, just as to pure mechanical status, are you  
13 saying that my chambers have received the certification and  
14 updated Order and you're waiting to see that hit the docket?

15 MR. ROSEN: Yes, Your Honor. With respect to the  
16 June Omnibus proceeding, yes.

17 THE COURT: All right. Well, I'm sure that we're  
18 dealing with that expeditiously.

19 MR. ROSEN: I'm sure, Your Honor.

20 One final note, Your Honor. I mentioned the  
21 administrative reconciliation procedures. We've been working  
22 with AAFAF. And it's just due to the magnitude of the issue.  
23 It's an extremely challenging process, but the goal here is to  
24 ultimately remove from the claims registry over 100,000 claims  
25 and have that funneled through the administrative

1 reconciliation procedures that will be subject to approval by  
2 this Court.

3 We think it's important not just that it be removed  
4 and dealt with internally through the government processes,  
5 but in order to give comfort not only to the claimants but  
6 especially to the Court and to the Oversight Board that those  
7 claims are being treated, there will be time frames at which  
8 those claims have to be handled, and there will be  
9 requirements to report back to the Court the processes being  
10 undertaken and the progress being made with respect to those  
11 types of claims.

12 As I indicated, there are three buckets, Your Honor:  
13 The tax refund claims, which are usually routine tax refund  
14 claims; the union grievances issue; as well as the pension and  
15 benefits programs. So we will be filing that, Your Honor,  
16 hopefully in the next several weeks as we continue to refine  
17 that process with AAFAF.

18 THE COURT: And so in very broad terms, and I know  
19 that you've previewed this in other ways before, but to make  
20 sure that I understand and that everybody understands  
21 conceptually, there are those types of matters that even  
22 outside the Title III, before the Title III, have an  
23 administrative structure and an administrative adjudication  
24 process within the Commonwealth government. And you're going  
25 to give me a formal proposal to have that administrative



1 treatment continue, at least in the first instance.

2 And I assume that those administrative mechanisms, if  
3 things remain contested, have some sort of provision for  
4 seeking review.

5 MR. ROSEN: Exactly, Your Honor.

6 THE COURT: But you intend to channel those types of  
7 claims through those administrative procedures with the hope  
8 that most of them will be resolved in that context, and then  
9 whatever is not resolved, there would be some clear path for a  
10 final resolution of those that coordinates with the Title III  
11 proceedings?

12 MR. ROSEN: Absolutely, Your Honor. That's our  
13 goal.

14 THE COURT: Thank you.

15 MR. ROSEN: Thank you. If I could, Your Honor, what  
16 I'd like to do is turn over the contested matters to my  
17 colleague, Ms. Stafford.

18 THE COURT: I am not quite done with the uncontested  
19 matters.

20 MR. ROSEN: Okay.

21 THE COURT: There is one aspect of the uncontested  
22 matters about which I had some questions that were not  
23 addressed by your review of the process.

24 MR. ROSEN: Okay.

25 THE COURT: And that is the objections seeking to

1 expunge claims that map to Class 10 of the COFINA Plan of  
2 Adjustment. These are claims that are subordinated pursuant  
3 to Section 510(b) of the Code under the Confirmed COFINA Plan,  
4 but were classified under the COFINA Plan. That Plan provides  
5 that they receive no dividend, but that is a provision in the  
6 Plan. And then the Plan overall provides that all  
7 distributions and rights afforded under the Plan are deemed to  
8 be -- and in exchange for, and in complete satisfaction,  
9 settlement, discharge and release of all claims.

10 So what I don't understand is why we would separately  
11 expunge claims that, by terms of the Plan, have already been  
12 discharged.

13 MR. ROSEN: Your Honor, only because they were  
14 remaining on the claims registry. We don't care how --

15 THE COURT: But why shouldn't they remain on the  
16 claims registry if they're dealt with? Because you're not  
17 expunging from the claims registry the claims that are  
18 actually getting replacement securities. So why aren't they  
19 treated in that same way?

20 MR. ROSEN: That is fine with us, Your Honor, if you  
21 want to handle it that way.

22 THE COURT: I think that's more consistent with the  
23 way the rest of the claims have been handled.

24 MR. ROSEN: That's fine, Your Honor.

25 THE COURT: And so will you file a withdrawal of

1 those objections?

2 MR. ROSEN: Yes. We'll handle it that way, Your  
3 Honor.

4 THE COURT: Thank you. I appreciate that.

5 MR. ROSEN: Thank you.

6 Your Honor, if I could pass the podium over to  
7 Ms. Stafford now.

8 THE COURT: Yes. Thank you.

9 Good morning, Ms. Stafford.

10 MS. STAFFORD: Good morning, Your Honor. Laura  
11 Stafford of Proskauer Rose on behalf of the Oversight Board.  
12 I'll begin with the 35th Omnibus Objection, the first of the  
13 contested objections.

14 THE COURT: Yes.

15 MS. STAFFORD: This objection was filed to disallow  
16 418 proofs of claim that were filed against HTA. Each of  
17 these proofs of claim are duplicates of master proofs of claim  
18 that were filed in the HTA Title III case. Only one response  
19 to this objection was received. It was filed by Edwin Emery  
20 as trustee of a revocable trust.

21 Both the proof of claim and the response that was  
22 received provided a CUSIP number, which is duplicative of and  
23 covered by a master proof of claim that was filed on behalf of  
24 HTA bondholders in the HTA Title III case. And so as a  
25 result, Your Honor, we would request the Court grant this

1 Omnibus Objection, notwithstanding the response, and disallow  
2 the claim subject to it.

3 THE COURT: I've reviewed the objection and the  
4 response, and I find that because the CUSIP number matches the  
5 claim, the objection is well taken. Therefore, the objection  
6 is sustained and the response is overruled.

7 MS. STAFFORD: Thank you, Your Honor.

8 THE COURT: And that is ECF number 7243. Is that --  
9 I'm sorry. No. ECF number 8065 is Mr. Emery's response.

10 MS. STAFFORD: Correct, Your Honor.

11 Moving on to the next contested claim objection, Your  
12 Honor, this is the 39th Omnibus Objection, which seeks to  
13 disallow 99 proofs of claim filed against HTA and ERS on the  
14 basis that they purported to assert liabilities associated  
15 with either bonds or money loaned, but either didn't provide  
16 sufficient information for the debtors to determine who issued  
17 the bonds, or attempted to assert liabilities associated with  
18 bonds issued by nondebtors, or otherwise attempted to assert  
19 bonds issued by one debtor against another debtor. So an HTA  
20 bond against ERS or vice versa, without providing any basis  
21 for asserting such liability.

22 Four responses were received. The first of those was  
23 filed by Rafael Castro Lang, and it's ECF 7584. And it  
24 relates to proof of claim number 23624. The response included  
25 an ERS bond CUSIP number, which is duplicative of and covered

1 by another master proof of claim that was filed on behalf of  
2 ERS bondholders in the ERS case.

3 And so we request that the Court grant the objection  
4 as to this claim, notwithstanding the response, on the  
5 grounds that this claim is duplicative.

6 THE COURT: The objection is sustained.

7 MS. STAFFORD: Thank you, Your Honor.

8 The next response that was filed was filed by Jesus  
9 Librada Sanz, and this is ECF number 7579 and relates to proof  
10 of claim number 60916. This proof of claim originally  
11 attached an investment account statement that contained only  
12 mutual funds and had no supporting documentation of ERS bonds  
13 owned by the claimant. The response that was filed included  
14 documentation regarding an ERS bond, and the CUSIP number that  
15 is associated with that bond is duplicative of and covered by  
16 a master proof of claim filed in the ERS case on behalf of ERS  
17 bondholders.

18 And so we'd request the Court grant the objection  
19 with respect to this claim, notwithstanding the response on  
20 the grounds the claim is duplicative.

21 THE COURT: When we looked at the documentation and  
22 tried to make sure we could follow the path through and  
23 connect the dots, we didn't see in the referenced master proof  
24 of claim, CUSIP numbers or other specific information tying  
25 the bonds that Mr. Librada Sanz has to the bonds covered by

1 the master proof of claim.

2 Now, we may have missed something, but if you would,  
3 just explain how you've matched them up.

4 MS. STAFFORD: I believe, Your Honor, that this  
5 master proof of claim relates to a specific type of --

6 THE COURT: Sorry.

7 MS. STAFFORD: That this master proof of claim  
8 relates to a specific series of bonds which are -- which are  
9 the same series as this ERS bond CUSIP number, but we'll be  
10 happy to send something supplemental to clear that up for Your  
11 Honor.

12 THE COURT: I'd be grateful for that.

13 MS. STAFFORD: Sure.

14 THE COURT: And so assuming that the dots are  
15 connected a little more clearly, that objection will be  
16 sustained.

17 MS. STAFFORD: Thank you, Your Honor.

18 The next response that was received was filed by Joe  
19 Pace, and this is ECF number 7680 and proof of claim number  
20 5427. This proof of claim originally also had no supporting  
21 detail or CUSIP information, but the response that was  
22 submitted included an ERS bond and a CUSIP number which is  
23 duplicative of and covered by a master proof of claim filed in  
24 the Title III case on behalf of ERS bondholders.

25 And so we again request the Court grant this

1 objection, notwithstanding the response, on the grounds the  
2 claim is duplicative.

3 THE COURT: The objection is sustained.

4 MS. STAFFORD: Thank you, Your Honor.

5 And the last response that was received was filed by  
6 Edwin Emery as trustee of a revocable trust. The proof of  
7 claim originally had no supporting detail, but the response  
8 that we received did include supporting documentation that's  
9 sufficient to allow us to reconcile the claim. So we've  
10 withdrawn our objection while we review and analyze that  
11 documentation.

12 THE COURT: And so at this point, no further action  
13 on the part of the Court is necessary?

14 MS. STAFFORD: No, Your Honor.

15 THE COURT: Thank you.

16 MS. STAFFORD: And so otherwise, Your Honor, we'd  
17 request the Court grant the Omnibus Objection with respect to  
18 the claims with which no responses were received.

19 THE COURT: And so just to help me update my own  
20 notes, so you've withdrawn the response -- withdrawn the  
21 issues as to the response of Quebrada Bonita CRL and Oaktree  
22 as well?

23 MS. STAFFORD: Yes. We've resolved the issues with  
24 both creditors. The Quebrada Bonita response, following the  
25 filing of the reply demonstrating how their claim was

1 duplicative of a master proof of claim, and the Oaktree  
2 response was resolved between the parties. The claim was  
3 ultimately marked as docketed in error, the claim that we had  
4 objected to.

5 THE COURT: Thank you.

6 And so the remaining outstanding contested objections  
7 are sustained with the caveat that a further supplement will  
8 be filed with respect to the Librada Sanz objection.

9 MS. STAFFORD: Thank you, Your Honor.

10 THE COURT: Thank you.

11 MS. STAFFORD: And turning now to the 45th Omnibus  
12 Objection. This objection seeks to partially disallow and  
13 partially reclassify seven proofs of claim. In each instance,  
14 a portion of the claim should have been filed in either the  
15 Commonwealth's or PREPA's Title III case, and another portion  
16 of the claim purports to arise from bonds, mutual funds or  
17 money loaned but fails to provide sufficient information for  
18 the debtors to determine the validity of that portion of the  
19 claim.

20 One response was received, filed by Mr. De Osuna and  
21 Ms. Velez Perez. The original proof of claim that was filed  
22 against ERS did not include any information regarding ERS  
23 bonds. However, the supporting documentation that we've  
24 received does allow us to understand and reconcile the claim.  
25 So we've withdrawn our objection while we review and analyze



1 that documentation.

2 THE COURT: Thank you. And no further Court action  
3 is necessary on that at this time?

4 MS. STAFFORD: No. So we'd request the Court grant  
5 the objection as to the uncontested portions of the 45th  
6 Omnibus Objection.

7 THE COURT: And as to the others to which there's  
8 been no response, are you now, having been through the process  
9 of which Mr. Rosen spoke about, looking at the mechanics of  
10 the process again, confident that the objections were well  
11 taken with respect to the others?

12 MS. STAFFORD: Yes, we are, Your Honor.

13 THE COURT: Then the objection is sustained.

14 MS. STAFFORD: Thank you, Your Honor.

15 Moving on to the 48th Omnibus Objection, which was  
16 filed by the Commonwealth as to subsequently amended claims,  
17 this objection seeks to disallow 500 proofs of claim that were  
18 amended or superseded by a subsequently filed proof of claim.

19 The first response that was -- we received a number  
20 of responses to this objection. The first of those was filed  
21 by Leida Pagan Torres on behalf of the Damexco Group. This is  
22 ECF number 7662, and it relates to proof of claim number  
23 10282.

24 We understand from the response that Leida Pagan  
25 Torres had filed proof of claim 10282 on behalf of Damexco,

1 and subsequently a second counsel, James Bailey, had filed  
2 proof of claim 33003, also on behalf of Damexco.

3 Proof of claim 33003 states that it amends proof of  
4 claim 10282. The response does not dispute that proof of  
5 claim 33003 amends proof of claim 10282. The claims assert  
6 the same liabilities and the claimant will not be prejudiced  
7 by the disallowance of proof of claim 10282 because the  
8 liabilities the claimant asserts are covered by proof of claim  
9 33003.

10 Counsel for the Oversight Board has confirmed with  
11 both Leida Pagan Torres and James Bailey, in an effort to  
12 resolve this response, and there appears to be some confusion  
13 as to which attorney is authorized to represent the creditor  
14 in these Title III cases. And I understand that Leida Pagan  
15 Torres may be here and wish to speak.

16 THE COURT: I have been informed that Leida Pagan  
17 Torres is here and wishes to speak.

18 So Ms. Pagan, would you please come to the podium?

19 MS. PAGAN TORRES: Good morning, Your Honor.

20 THE COURT: Good morning.

21 MS. PAGAN TORRES: And to all the people here.

22 Yes, Your Honor. We presented a proof of claim on  
23 May 2, 2019, claim 10282; and on May 29, claim 33003 was  
24 presented by James Bailey. We had notice of this amendment,  
25 which is -- certainly the only amends are the change of

1 notification, which is the name of the counsel Bailey and his  
2 address, to be notified of all the documents or any payments  
3 to be sent to Damexco, Inc.

4 That's the only change basically, because his claim  
5 is exactly -- in all the documents, exactly as I have  
6 presented my proof of claim. I understand that being the  
7 attorney at law of Mr. -- of Damexco, Inc., since 2001, we  
8 have not received no notification from him stating us not to  
9 continue notifi -- any claims on his behalf under these  
10 procedures. I have tried to contact Mr. Lou Brunell, who is  
11 the president of Damexco, and he has not responded.

12 I was approached by counsel of the Oversight Board,  
13 Ms. Alicia Carreno, last week. She stated that she had  
14 presented -- that they were going to present a motion to this  
15 Court requesting to Mr. Lou Brunell to indicate to this Court  
16 who he preferred to have, which attorney, to represent him in  
17 the proof of claim or to keep notifications of any procedures  
18 of his claim under the Oversight procedures.

19 And when I received the reply, it's a reply that says  
20 that Your Honor will be and -- can't disallow whichever claim  
21 you estimate should be disallowed. In my position, I  
22 understand that my claim, my proof of claim submitted, which I  
23 should be notified, should be sustained because I have all the  
24 information regarding the case, and I will be validating all  
25 the rights of Mr. Lou Brunell, as well as Damexco, Inc.

1           In the alternative, it could be my client to indicate  
2 to this Court who he prefers to maintain as the person to be  
3 notified of any procedures of this case, or to include as both  
4 attorneys.

5           THE COURT: Well, I think I understand the problem,  
6 and it sounds like it's a problem of the attorneys'  
7 relationships with the client and discerning the client's true  
8 wishes.

9           We do have to be able to move forward with the court  
10 proceedings, and so let me make a suggestion that, first of  
11 all, I'm sustaining the objection because there are these two  
12 proofs of claim that were filed in a fashion that would have  
13 one supersede the other. And our ordinary process is to  
14 expunge the older one as superseded by the amendment.

15           Is that correct, Ms. Stafford?

16           MS. STAFFORD: (Nodding head up and down.)

17           THE COURT: Ms. Stafford nodded yes, for the benefit  
18 of those who can't see.

19           And so I think what I want to do is follow that  
20 unless I got a -- we got a specific instruction to the  
21 contrary from the client, and so what I would say is that we  
22 would wait two weeks to enter an Order expunging 10282. And  
23 if it's filed on the docket, a statement signed by the  
24 principal, or whoever can act for Damexco, indicating that the  
25 claim of Damexco -- that you should be the contact person for

1 the claim of Damexco, not Mr. Bailey, we would take that  
2 information as superseding what was written on this second  
3 proof of claim filed by Mr. Bailey.

4 Is that feasible for us, Ms. Stafford?

5 MS. STAFFORD: Yes, Your Honor.

6 THE COURT: And I'm just asking the court PROMESA  
7 administrator, is that -- does that present any problem for  
8 the court?

9 COURTROOM DEPUTY: Only a little.

10 THE COURT: Only a little? But you'll deal with it?

11 COURTROOM DEPUTY: (Nodding head up and down.)

12 THE COURT: Thank you.

13 So you have two weeks to get any change of contact  
14 person filed as an informative motion on the docket, that  
15 should clearly refer to the claim which will be kept as number  
16 33003. And it should include a statement signed by the  
17 officer or principal of the company.

18 MS. PAGAN TORRES: Okay, Your Honor. Thank you.

19 The 14 days would be 14 days starting from now or --

20 THE COURT: Yes. So by two weeks from today.

21 MS. PAGAN TORRES: Okay. Perfect. Thank you.

22 THE COURT: Thank you so much.

23 MS. PAGAN TORRES: Have a nice day.

24 THE COURT: Thank you. You, too.

25 MS. STAFFORD: All right. Your Honor, the next

1 response that was filed was filed by Jose A. Vazquez  
2 Padilla.

3 THE COURT: Oh, I'm sorry.

4 MS. STAFFORD: I'm sorry.

5 THE COURT: We had missed --

6 MS. STAFFORD: No, you're right. I'm sorry.

7 THE COURT: But we had missed one, the response of  
8 the Del Valle Group, number 7864, which on my notes was before  
9 the Damexco.

10 MS. STAFFORD: Yes. You're right, Your Honor. I  
11 apologize.

12 THE COURT: So we can go back to that --

13 MS. STAFFORD: Sure.

14 THE COURT: -- 7864?

15 MS. STAFFORD: Yes. And this is the 46th Omnibus  
16 Objection, which was filed by HTA and ERS seeking to disallow  
17 384 claims that had been amended or superseded by a  
18 subsequently filed proof of claim.

19 This response was filed with respect to proof of  
20 claim number 10 -- 190. The claimant originally filed proof  
21 of claim 190, and then subsequently filed 107011, which  
22 amended proof of claim 190.

23 The claimant states in their response that they had  
24 filed an amended proof of claim because the proof of claim  
25 form had changed and they wanted to confirm that they provided

1 all the information required by the updated form.

2 The two claims assert the same liabilities, and the  
3 same amount and have the same supporting documentation. The  
4 response does not dispute that proof of claim 107011 sought to  
5 amend proof of claim 190, but it asks that proof of claim 190  
6 only be disallowed if proof of claim 107011 is allowed. And  
7 we do reserve our right to object to proof of claim 107011 on  
8 other grounds.

9 Because there's no substantive difference between the  
10 two claims, and the claimant does not dispute that one sought  
11 to amend the other, the claimant won't be prejudiced by the  
12 disallowance. And accordingly, Your Honor, we'd request that  
13 you grant the objection with respect to this claim, but I  
14 understand that counsel for Del Valle Group may be here as  
15 well.

16 THE COURT: Is counsel for Del Valle Group here?

17 MR. MCCALL: Yes, Your Honor.

18 THE COURT: If you wish to be heard, you have to come  
19 to the podium.

20 MR. MCCALL: Yes, I do wish to be heard.

21 THE COURT: All right. Thank you.

22 MR. MCCALL: Good morning, Your Honor. My name is  
23 Michael McCall. I represent Del Valle Group.

24 THE COURT: Good morning, Mr. McCall.

25 MR. MCCALL: A lot of what Ms. Stafford said we don't

1 | disagree with in that I had originally filed, on behalf of Del  
2 | Valle Group, on August 31, 2017, on the original form, before  
3 | it was modified, a proof of claim. We filed a subsequently  
4 | amended -- and it was intended to amend the proof of claim  
5 | that we originally filed on June 29th.

6 |           They're both in the same amount. They represent  
7 | construction work that was done for the HTA. The only  
8 | question I had -- and I did have some discussions with  
9 | Ms. Stafford and a brief call with Mr. Brian Rosen last week.  
10 | In the notice of Omnibus Objection 46, specifically 7269-4,  
11 | and in the overview that -- it says the Omnibus Objection  
12 | seeks to alter your rights as to any claims listed in the  
13 | column titled "claims to be disallowed." Any claim that is  
14 | disallowed will be treated as though it were never filed.

15 |           And that's the one caveat I have, and we raised it to  
16 | see if we could come up with language that would understand  
17 | their concerns. We're not interested in a duplicative  
18 | recovery. We understand that we have a proof of claim in that  
19 | amount.

20 |           The one caveat I have is the way this is drafted,  
21 | they reserve the right to object to the later filed claim on  
22 | any other ground. And what we had suggested, if we could  
23 | agree on language, is that we would reserve the right, if they  
24 | later object on a ground that applied only to the amended  
25 | claim filed on June 29th but would not have applied to the



1 August 31st, 2017, that we be allowed to reinstate. That it's  
2 not like it's a nullity and was never filed.

3 I had spoken with them last week, but I didn't hear  
4 back, so that's why I'm here today, to state that. If we  
5 would agree to strike the original claim so that there's only  
6 one on the docket, but if at some point on a ground that we  
7 don't know at this point, they move to object to that second  
8 one on a ground that would not have applied to the original  
9 one, that we be allowed to argue that the first one should be  
10 valid.

11 THE COURT: Well, do you know of any difference  
12 between the two of them that would support anything other than  
13 like a timeliness objection?

14 MR. MCCALL: I'm really not, because I understand  
15 that they're both timely. The first one was filed way before.  
16 There was not even a bar date at the time. So I think -- and  
17 the other one's filed before the deadline on the bar date.

18 So on timeliness grounds, I don't see -- I think both  
19 of them are timely. It's just in advance, I don't know what  
20 objections they do -- could conceivably do. It may never come  
21 to pass if they don't object to something that would  
22 invalidate it. We would just request language that --

23 THE COURT: You're seeking reassurance that if there  
24 is a later objection based on the amended claim, it's not  
25 going to be something that could not have been raised in

1 connection with the original claim? You're not asking them to  
2 promise not to object to the amended claim on any ground at  
3 all?

4 MR. MCCALL: No. I understand that they have the  
5 right to do that and they reserve the right. The only thing  
6 we would request is if they later object to the second filed  
7 amended claim on a ground that applies to that, but would not  
8 have applied to the August 31st, the original one, that we be  
9 allowed to argue that that -- the original one should be a  
10 valid claim.

11 And I would agree to language, and I said we haven't  
12 come to that, but they could propose a language, and I could  
13 agree to language to state that contingency if Your Honor  
14 would allow us to do so. But --

15 THE COURT: Let me hear from Ms. Stafford.

16 MS. STAFFORD: Your Honor, given that the claims  
17 assert the same liabilities and the same amount with the same  
18 documentation, we're not sure, and we asked counsel to explain  
19 to us if he had anything in mind, what substantive objections  
20 we would assert to an amended claim that we couldn't have  
21 asserted to the earlier claim.

22 And we don't want down the road to wind up in a  
23 dispute as to whether or not an objection could have been  
24 raised to the amended claim but not to the original claim. So  
25 given the fact that the two claims clearly are intended to

1 amend the other and intended to assert the same liabilities --  
2 and Mr. McCall is correct, we wouldn't have a timeliness  
3 objection with respect to the second proof of claim because it  
4 was filed well in advance of the bar date. We simply don't  
5 see any reason for the language that he's requested.

6 THE COURT: And you don't want to be in the  
7 administrative place of having custom language as to one  
8 response you're relating to one of 165,000 claims and don't  
9 want to set a precedent of having some customized stipulations  
10 that would permit some sort of look back in some event nobody  
11 can identify?

12 MS. STAFFORD: Correct, Your Honor.

13 THE COURT: Thank you.

14 So because there -- first of all, because the law and  
15 the structure that the Court has approved anticipates that an  
16 amended claim supersedes entirely the claim that it amends, so  
17 that there is no right to go back and say, well, the first one  
18 was better in some respects, because we can't even imagine  
19 what scenario that would come up realistically with respect to  
20 this one, and because customizing carve-outs just is not  
21 administrable, the response is overruled and the objection is  
22 sustained as to the Del Valle Group claim. And so it is that  
23 later filed August claim that will be the operative claim  
24 going forward.

25 MS. STAFFORD: Thank you, Your Honor.

1 THE COURT: Thank you.

2 MS. STAFFORD: And did Your Honor have any other  
3 questions with respect to the 46th Objection before we return  
4 to the 48th?

5 THE COURT: No, I did not.

6 MS. STAFFORD: Thank you.

7 And so we just request that the 46th Omnibus  
8 Objection also be granted with respect to the uncontested  
9 claims as well.

10 THE COURT: Yes, the 46th Omnibus Objection is  
11 sustained.

12 MS. STAFFORD: Thank you, Your Honor.

13 Moving on to the 48th Omnibus Objection, I apologize  
14 for taking them somewhat out of turn. The secondary response  
15 that was filed was filed by Lizandra Carrero Aviles.

16 This claimant had filed multiple claims and then  
17 filed an amendment to one of those claims. And in light of  
18 the response received, we are working with the claimant to  
19 understand which claim the amendment actually sought to amend.  
20 And so we've withdrawn our objection as to this claim while we  
21 work with the claimant to figure that out.

22 THE COURT: So no action by the Court at this point?

23 MS. STAFFORD: No, Your Honor.

24 THE COURT: And is that the same for Vazquez Padilla  
25 and Matos Santos?

1 MS. STAFFORD: It is the same as with respect to  
2 Vazquez Padilla, Matos Santos, and Medina Figueroa and Mendez  
3 Hernandez, Your Honor.

4 THE COURT: Very well. So those will be carved out  
5 of any proposed order, assuming that I sustain the remainder  
6 of the objection?

7 MS. STAFFORD: That is correct, Your Honor.

8 THE COURT: All right. And then Azize Alvarez?

9 MS. STAFFORD: Yes, Your Honor. This response is  
10 with respect to proof of claim number 37571, which we  
11 understand proof of claim number 36659 sought to amend.

12 Neither proof of claim 36659 nor proof of claim 37571  
13 included any supporting documentation. However, with the  
14 response, we received details regarding a bond bearing a CUSIP  
15 number which is covered by and duplicative of a PRIDCO master  
16 proof of claim that was filed in the Commonwealth's Title III  
17 case.

18 And so in light of the fact that this proof of claim  
19 seeks to assert a PRIDCO bond that is covered by a master  
20 proof of claim, we would request the Court grant the objection  
21 and disallow this claim, notwithstanding the response.

22 THE COURT: The objection to the claim is  
23 sustained.

24 MS. STAFFORD: Thank you, Your Honor.

25 THE COURT: And so the objections, the outstanding

1 objections in the 48th Omnibus are sustained.

2 MS. STAFFORD: Thank you very much, Your Honor.

3 THE COURT: Thank you.

4 MS. STAFFORD: The next Omnibus objection on the  
5 Agenda is the 49th Omnibus Objection, which is an objection of  
6 the Commonwealth seeking to disallow 145 proofs of claim that  
7 have been amended or superseded by a subsequently filed proof  
8 of claim.

9 Only one response was received, and similar to the  
10 responses discussed with respect to the 48th Omnibus  
11 Objection, this claimant had filed multiple claims, sought to  
12 amend one of those claims. And in light of the response,  
13 we're working with the claimant to understand which claim  
14 they're seeking to amend, and have withdrawn our objection as  
15 to their proof of claim while we work with the claimant on  
16 that.

17 THE COURT: Very well.

18 MS. STAFFORD: So does Your Honor have any further  
19 questions on the 49th Omnibus Objection?

20 THE COURT: No. The remaining aspects of the 49th  
21 Omnibus Objection are sustained.

22 MS. STAFFORD: Thank you, Your Honor.

23 That takes us to the 50th Omnibus Objection, which is  
24 an objection of the Commonwealth seeking to disallow 254  
25 proofs of claim that failed to comply with applicable rules

1 | because they asserted liabilities against the Commonwealth in  
2 | respective bonds but failed to provide any documentation  
3 | regarding the bonds that are allegedly at issue.

4 |           We received six responses. The first of them was by  
5 | Mr. Casanovas and Ms. Trinidad. Their proof of claim  
6 | originally did not provide supporting documentation showing a  
7 | CUSIP number, but the response that was filed provided a  
8 | financial statement with a CUSIP number that reflects a PRIDCO  
9 | bond, which is duplicative of a master proof of claim filed on  
10 | behalf of PRIDCO bondholders in the Commonwealth's Title III  
11 | case.

12 |           And so we'd request the Court grant the objection as  
13 | to the claim and disallow it as duplicative, notwithstanding  
14 | the response.

15 |           THE COURT: The objection is sustained.

16 |           MS. STAFFORD: Thank you, Your Honor.

17 |           The next response was filed by Ethel Alvarez. This  
18 | proof of claim originally did not provide supporting  
19 | documentation. However, the response that was filed does  
20 | include documentation that we will now use to try to reconcile  
21 | the claim. So we've withdrawn our objection as to that claim  
22 | while we work with them.

23 |           THE COURT: And the same with Santos Diaz?

24 |           MS. STAFFORD: The same with Santos Diaz.

25 |           THE COURT: Now UBS.

1 MS. STAFFORD: The next response was filed by UBS and  
2 it relates to nine proofs of claim that were filed lacking  
3 supporting documentation and/or a CUSIP number. Seven of  
4 those proofs of claim, as UBS Trust Company stated in its  
5 response, were subsequently amended.

6 The -- in light of those amendments, the original  
7 claims should be disallowed because of the amended and  
8 superseding amended proofs of claim that were filed.

9 THE COURT: The objection is sustained and the  
10 amended proofs of claim will be the operative proofs of  
11 claim.

12 MS. STAFFORD: Thank you, Your Honor.

13 The UBS Trust Company also responded with respect to  
14 two other proofs of claim and does not dispute that they are  
15 deficient. It simply notes that they were not subsequently  
16 amended.

17 One sought to assert bonds regarding GDB -- issued by  
18 GDB, and one sought to assert bonds asserted by PREPA.  
19 However, the response indicates that that -- that the bonds  
20 issued by PREPA, there's a duplicative proof of claim filed  
21 against PREPA in respect of the same bonds.

22 And so we request the Court grant the objection as to  
23 the claim and disallow these two claims as deficient, not  
24 withstanding the response.

25 THE COURT: The objection is sustained and the claims



1 are disallowed.

2 MS. STAFFORD: Thank you, Your Honor.

3 The next response was filed by Delia Hernandez. This  
4 is ECF number 7877. The proof of claim originally did not  
5 provide supporting documentation showing a CUSIP number, and  
6 the response indicates that the claim was amended to include  
7 supporting documentation.

8 We've received the amended proof of claim, and in  
9 light of that amendment, the original proof of claim should be  
10 disallowed as subsequently amended, notwithstanding the  
11 response.

12 THE COURT: The objection is sustained.

13 MS. STAFFORD: Thank you, Your Honor.

14 And the final response that was received was filed by  
15 Mr. Popelnik. And in light of the response which provided us  
16 with additional documentation, we've removed the claim from  
17 the objection in order to evaluate the documentation that was  
18 provided by the claimant.

19 THE COURT: Very well. And so the objection in  
20 the -- this is the 50th Omnibus?

21 MS. STAFFORD: That's correct, Your Honor.

22 THE COURT: It is sustained as to the remaining  
23 outstanding items.

24 MS. STAFFORD: Thank you very much, Your Honor.

25 The 56th Omnibus Objection is next on the Agenda.

1 This is an objection seeking to disallow 215 proofs of claim  
2 filed against the Commonwealth that are duplicative of one or  
3 more master proofs of claim filed in the Commonwealth Title  
4 III case.

5 We received four responses. The first was filed by  
6 the Cooperativa de Ahorro y Credito de Empleados de la  
7 Autoridad de Energia Electrica. This proof of claim contained  
8 documentation regarding a bond issued by the Puerto Rico  
9 Public Financing Corporation, and indicated or provided a  
10 CUSIP number that is duplicative of that master proof of claim  
11 that was filed on behalf of PRPFC bondholders in the  
12 Commonwealth Title III case.

13 The response does not dispute those facts and simply  
14 notes that only one claim was registered and hadn't been  
15 subsequently amended. Because the response does not dispute  
16 that the claim is duplicative of the master proof of claim, we  
17 would request the Court grant the objection as to the claim  
18 and disallow it as duplicative.

19 THE COURT: The objection is sustained.

20 MS. STAFFORD: Thank you, Your Honor.

21 The next response was filed by the Cooperativa de  
22 Ahorro y Credito de Caparra, and this response, the proof of  
23 claim provided documentation regarding bonds issued by the  
24 PRPFC, which are covered by a PRPFC master proof of claim  
25 filed in the Commonwealth Title III case.

1           And again, the response does not dispute these facts  
2   and simply notes that only one claim was registered, and the  
3   claim was not subsequently amended. But because the response  
4   does not dispute that the claim is duplicative of a master  
5   proof of claim, we request the Court grant the objection and  
6   disallow the claim as duplicative of the master proof of  
7   claim.

8           THE COURT: The objection is sustained.

9           MS. STAFFORD: Thank you, Your Honor.

10           The third response that was filed was filed by Ariel  
11   Ferdman and Fe-Ri Construction. The proofs of claim that were  
12   filed contained documentation again regarding PRIDCO bonds  
13   bearing CUSIP numbers that are duplicative of and covered by  
14   the PRIDCO master proof of claim that was filed on behalf of  
15   PRIDCO bondholders in the Commonwealth Title III case.

16           The response does not dispute these facts and instead  
17   notes that the claimants had not received proof of a master  
18   proof of claim that was filed on their behalf. Because the  
19   response does not dispute that the claim is duplicative, we  
20   would again request the Court grant the objection and disallow  
21   the claim as duplicative.

22           THE COURT: The objection is sustained.

23           MS. STAFFORD: Thank you, Your Honor.

24           And the final response was filed by Evelyn Martino  
25   Gonzalez. This proof of claim contained documentation

1 regarding a PRPFC bond, which has a CUSIP number that is  
2 duplicative of and covered by a PRPFC master proof of claim,  
3 and again, the response does not dispute these facts and  
4 simply notes the claimant was not informed of the filing of a  
5 master proof of claim. But because the response does not  
6 dispute that the claim is duplicative of a master proof of  
7 claim, we would ask the Court to grant the objection as to the  
8 claim and disallow it as duplicative of the master proof of  
9 claim.

10 THE COURT: The objection is sustained.

11 MS. STAFFORD: Thank you, Your Honor.

12 THE COURT: And so the objection is sustained as to  
13 the remaining outstanding items in the 56th Omnibus Objection.

14 MS. STAFFORD: Thank you very much.

15 And finally, the last of the contested claim  
16 objections, Your Honor, is the 59th Omnibus Objection, which  
17 seeks to disallow 91 proofs of claim that were filed against  
18 the Commonwealth and are duplicative of one or more master  
19 proofs of claim filed in the Commonwealth case.

20 The first response was filed by Bradford C. Vassey.  
21 His proof of claim provided supporting documentation regarding  
22 a PBA bond, which is duplicative -- and provided a CUSIP  
23 number that is duplicative of and covered by a master proof of  
24 claim filed on behalf of PBA bondholders in the Commonwealth  
25 Title III.

1           The response does not dispute these facts and simply  
2 states that in Mr. Vassey's view, the objection was a waste of  
3 debtors' resources. But because the response does not dispute  
4 that the claim is duplicative of the master proof of claim, we  
5 would request the Court grant the objection as to the claim  
6 and disallow it as duplicative of the master proof of claim.

7           THE COURT: The objection is sustained.

8           MS. STAFFORD: Thank you, Your Honor.

9           And the final response was filed by Evan Kallan.  
10 This respondent's proof of claim submitted documentation  
11 regarding a PRIFA bond and provided a CUSIP number that is  
12 duplicative of a proof of master claim filed on behalf of  
13 PRIFA bondholders in the Commonwealth's Title III case.

14           The response again does not dispute these facts and  
15 simply states that the claimant's broker could not confirm  
16 that a master proof of claim had been filed on Kallan's  
17 behalf. But because the response does not dispute that the  
18 claim is duplicative of the master proof of claim, we ask the  
19 Court to grant the objection, as the claim is duplicative, not  
20 withstanding the response.

21           THE COURT: The objection is sustained. And the  
22 objection in the 59th Omnibus is sustained as to the remaining  
23 outstanding items.

24           MS. STAFFORD: Thank you, Your Honor.

25           THE COURT: Thank you.

1 Mr. Rosen.

2 MR. ROSEN: Yes, Your Honor. Just two points very  
3 quickly. One, Your Honor, we talked briefly about the  
4 certification that we did in connection with the June  
5 Omnibus.

6 THE COURT: Yes.

7 MR. ROSEN: I checked. Those were filed under a  
8 notice of certification. If the Court has difficulty in  
9 locating those, we're happy to provide copies to chambers if  
10 you'd just let us know.

11 THE COURT: We'll reach out if we need it.

12 MR. ROSEN: Secondly, Your Honor, if I could ask that  
13 Ms. Hertzberg and Mr. Herriman can be relieved, as the claim  
14 objection process is concluded?

15 THE COURT: Yes.

16 Thank you, Mr. Herriman and Ms. Hertzberg.

17 MR. ROSEN: Thank you, Your Honor.

18 THE COURT: All right. So this is the point at which  
19 we have altered the Agenda, so I am now going to take up the  
20 items beginning at Roman IV.13 in the Agenda. And those are  
21 the various motions to stay contested matters and adversary  
22 proceedings, pending the confirmation of the anticipated  
23 proposed Commonwealth Plan of Adjustment, as well as motions  
24 to establish claims objection procedures.

25 Before I hear from the parties, I will make some

1 extended remarks reflecting the Court's consideration of these  
2 motions, the multiplicity of potentially interrelated bond-  
3 and claim-related objections and adversary proceedings that  
4 are currently pending, and how the Court believes we can best  
5 move forward.

6 Many of these matters go to issues that could be key  
7 or even gating issues in connection with the confirmation of a  
8 plan. As demonstrated by the Ad Hoc Group of General  
9 Obligation Bondholders' efforts to press their conditional  
10 objection relating to debt limit and balanced budget  
11 implications for various tranches of bonds that are not yet  
12 the subject of unequivocal claims objection motion practice or  
13 adversaries, many of the issues raised in separate adversaries  
14 or targeted claims objections implicate issues that could  
15 affect other interests were they litigated or settled.

16 The Court's view is that putting all litigation of  
17 such issues on hold pending successful efforts to confirm a  
18 Commonwealth plan could unfairly and inefficiently hamper  
19 potentially productive developments in the litigation and  
20 mediation milieu. On the other hand, litigation in  
21 potentially dozens of separate silos, each of which is  
22 jostling for the Court's attention and has numerous potential  
23 intervenors concerned about collateral effects would be an  
24 inefficient use of judicial and debtor resources.

25 The Court has come to the conclusion that with a plan

1 | proposal on the horizon, the time has come for a pause of 120  
2 | days or so, during which the Oversight Board, AAFAF, the  
3 | official committees and other litigants must work with Judge  
4 | Houser, the mediation team leader, to identify key and  
5 | gating issues, assess their crosscutting and collateral  
6 | implications, seek to reach substantial consensus as to the  
7 | prioritization of matters for litigation or mediation, and  
8 | formulate a proposed schedule and appropriate notice and  
9 | participation mechanisms that are as standardized and  
10 | comprehensive as possible.

11 |         This short-term stay will apply to consideration of  
12 | the pending objections to claims of holders of bonds issued by  
13 | the Commonwealth, HTA, and ERS, as well as to litigation  
14 | regarding the PBA bonds, adversary proceedings concerning lien  
15 | priority, avoidance, and validity issues relating to such  
16 | bonds, the procedures motions, the motions to stay such  
17 | litigation pending confirmation, and Ambac's recently filed  
18 | motion to strike certain elements of the Plan Support  
19 | Agreement.

20 |         We will now display a list of these matters for the  
21 | reference of the parties present in court in San Juan and New  
22 | York, and this list will be made an appendix to the Order  
23 | imposing the stay that the Court intends to enter shortly  
24 | after today's hearing.

25 |         While the list is being displayed -- and we'll make



1 that full screen. I think we can. Yes. All right. Don't  
2 worry about trying to copy this down. I will just read off  
3 the relevant docket entry numbers and AP numbers at this  
4 point, but it will be an appendix to an Order that I expect to  
5 file, you know, unless you all cut my head off and scream at  
6 me and change my mind. Yeah. Which is possible, but --

7           Anyway, so the relevant docket entry numbers are as  
8 follows: In case 3283, the Commonwealth case, docket entry  
9 numbers 4784, 5580, 5586, 5589, 6482, 7057, 7137, 7640, 7747,  
10 7803, 7814, 7882, 8020 and 8141. In adversary proceeding  
11 18-149, docket entry 99.

12           In addition to those docket entry numbers, the stay  
13 shall apply to the following adversary proceedings, which were  
14 all filed in 2019. So starting with 19-AP-281, also 282, 283,  
15 284, 285, 286, 287, 288, 355, 356, 357, 358, 359, 360, 361,  
16 also, 291, 292, 293, 294, 295, 296 and 297.

17           Now, the service of summons and complaints in the  
18 enumerated adversary proceedings must, however, continue  
19 during the stay. All of the time -- all of the defendants'  
20 time to respond to those adversary complaints will be extended  
21 until 30 days after the termination of this stay, including  
22 any extensions of the stay.

23           And a copy of the Order imposing this stay, which  
24 includes a footnote addressing the service issue, must be  
25 served with each summons and complaint served after today's

1 date and while the stay is in effect.

2 Participation in the work with Judge Houser will be  
3 mandatory for the Oversight Board, AAFAF, the official  
4 committees, and as directed by Judge Houser, all plaintiffs,  
5 movants, opponents, defendants, respondents and parties in  
6 interest who have appeared in the stayed matters to date.

7 The issues to be taken up for consideration in the  
8 manner directed by Judge Houser include addressing procedures  
9 and mechanisms for the resolution of the following issues, and  
10 any additional issues identified by Judge Houser.

11 First, issues including validity, secured status if  
12 any, and priority relating to bonds issued by the  
13 Commonwealth, the PBA, HTA and ERS, some or all of which have  
14 been the subject of challenges or claims objections.

15 Second, whether and to what extent there are common  
16 issues underlying or implicated by the objections and  
17 challenges to the bonds, whether across series of bonds issued  
18 by particular entities or across bonds issued by particular  
19 entities that can be litigated in a coordinated fashion.

20 Third, the validity and impact of revenue clawbacks.

21 Fourth, claims against underwriters and other service  
22 providers in connection with debt issuances.

23 Five, anticipated gerrymandering challenges to  
24 classification, including as between issues of securities and  
25 as between types of unsecured claims. For instance, pensions

1       versus general unsecured claims.

2               Six, identification and treatment of essential  
3       services under a plan of adjustment.

4               Seven, treatment of claims based on alleged  
5       violations of the Federal Constitution under a plan of  
6       adjustment.

7               Eight, whether and to what extent cooperation of the  
8       elected government is required to commence Title III or Title  
9       VI proceedings that may be necessary to initiate and implement  
10      a plan of adjustment.

11              And nine, mechanisms for efficient litigation of  
12      issues, including, A, whether and how certain issues can be  
13      litigated in advance of or in connection with consideration of  
14      a disclosure statement; B, efficient mechanisms for  
15      notification and participation of parties whose interests may  
16      be affected by the determination of issues, including  
17      identification of lead parties to act as proponents and  
18      opponents of key propositions and coordinating of briefing and  
19      argument; C, whether and when the creation of limited scope  
20      committees might be necessary or advisable to address issues  
21      unique to individual bondholders, such as the payment  
22      structures of replacement bonds; and D, whether litigation of  
23      certain issues can be left for confirmation hearing or post  
24      confirmation proceedings.

25              The stay will expire on November 30th, 2019. By

1     October 28, 2019, the mediation team leader, Judge Houser,  
2     will either have, one, facilitated the filing of agreed or  
3     substantially agreed scheduling orders with respect to the  
4     stayed adversary proceedings and contested matters, and if a  
5     plan of adjustment has been filed, the process for  
6     consideration of an approval of a disclosure statement and/or  
7     confirmation of such a plan; or, two, filed a report  
8     identifying procedural issues upon which substantial consensus  
9     has been achieved and any further recommendations by Judge  
10    Houser, the mediation team leader.

11             In no event will the mediation team leader's report  
12    disclose parties' positions on substantive matters without  
13    that party's consent. The report will in all other respects  
14    be focused on procedural matters.

15             Any responses to the report must be filed by November  
16    4th, 2019, and the Court will hold a hearing in New York on  
17    November 14th, 2019, to consider any proposed schedule and any  
18    report from the mediation team leader. For calendar control  
19    purposes, the stayed matters will be adjourned to the December  
20    Omnibus Hearing date.

21             Judge Houser has graciously agreed to organize and  
22    facilitate joint work on these key procedural matters.  
23    Because I believe time is of the essence in getting to  
24    resolution of key issues and confirmation of a plan, I have  
25    also asked Judge Houser to determine whether mediation on any

1 of the issues is appropriate at this time and to commence such  
2 mediation work that she deems appropriate.

3 Therefore, my Order will also provide that if the  
4 mediation team leader believes it appropriate to commence  
5 substantive mediation on any of the issues, including issues  
6 relating to the confirmation of a plan of adjustment for any  
7 Title III debtor, parties to the mediation agreement  
8 identified by the mediation team leader will be required to  
9 participate in any mediation sessions that she schedules.

10 Judge Houser is joining us by telephone today. She  
11 couldn't be here in person. And I'd now like to invite her to  
12 speak.

13 Judge Houser.

14 HONORABLE CHIEF JUDGE HOUSER: Thank you, Judge  
15 Swain. I and other members of the mediation team are happy to  
16 be of assistance to the Court and the parties with respect to  
17 the organization of the myriad of adversary proceeding issues  
18 and contested matter issues that are currently pending before  
19 you, as you have delineated them.

20 I harken back to over two years ago when I attended  
21 my first hearing in Puerto Rico, and you asked me if I would  
22 assist the parties and the Court on a process to attempt to  
23 resolve the Commonwealth-COFINA dispute. The parties and I  
24 were substantially able to come to an agreement on a process  
25 that you ultimately approved, and, importantly, that process

1 worked. Then through extensive substantive mediation of the  
2 legal issues, we were able to achieve confirmation of a  
3 substantially consensual plan for COFINA.

4 My hope is that working with the parties now, we can  
5 be equally successful in coming to agreed or substantially  
6 agreed scheduling orders, and then, in addition, through  
7 substantive mediation, a substantially consensual plan or  
8 plans for the remaining Title III debtors in these cases.

9 I will say, however, that I am not naive. I  
10 recognize that the number of issues, the number of adversary  
11 proceedings are substantially more voluminous and the issues  
12 are arguably more complex. But we have excellent lawyers. We  
13 have excellent members of the mediation team. And my hope is,  
14 and my sincere belief is, that working together we will be  
15 able to present you with substantially agreed scheduling  
16 orders and processes for wrestling these issues to the ground,  
17 unless, through substantive mediation, I am able to resolve  
18 them so that you don't have to do that through further  
19 litigation.

20 With that said, once your Order is entered on the  
21 docket, Judge Swain, the parties should expect to hear from me  
22 by e-mail. And we will get the process first of working on  
23 the procedural issues you've identified moving forward, and  
24 after discussions with the parties or representatives of  
25 groups of parties, we will see if it's appropriate to begin

1 substantive mediation promptly.

2 Thank you for the opportunity to speak to you and the  
3 parties.

4 THE COURT: Thank you, Judge Houser.

5 Now, Judge Houser and I have just delivered a lot  
6 that you probably didn't expect, so I would suggest -- well,  
7 what I'm going to do is give us a 15-minute break now so  
8 everybody can collect their thoughts, and then Judge Houser  
9 and I will hear remarks from counsel.

10 So we will reconvene at 11:30. That's 15 minutes  
11 from now. Thank you all very much.

12 (At 11:14 AM, recess taken.)

13 (At 11:35 AM, proceedings reconvened.)

14 THE COURT: Please be seated.

15 And Judge Houser, are you still there?

16 (No response.)

17 THE COURT: Well, I imagine she'll be rejoining us  
18 and we can proceed and she will be there. So I propose that  
19 --

20 HONORABLE CHIEF JUDGE HOUSER: Judge Swain, I'm  
21 sorry. I am here. I was muted and needed to unmute.

22 THE COURT: All right. Judge Houser is there, so  
23 she'll be able to hear everything as well.

24 And so you had originally proposed, in relation to  
25 the stay motion, to organize yourselves as proponents and then

1 | opponents. That works for me, if you need an organizing  
2 | principle. And so I would invite counsel to come to the  
3 | podium, and let's keep in mind the time and the things that  
4 | are most important.

5 | Mr. Bienenstock.

6 | MR. BIENENSTOCK: Thank you, Your Honor. Martin  
7 | Bienenstock of Proskauer Rose, LLP, for the Oversight Board.

8 | The short answer is yes, we welcome and have  
9 | continuously welcomed the assistance, and oftentimes the  
10 | monumental assistance, that Judge Houser and her other  
11 | judicial colleagues have brought to the overall process. And  
12 | we're happy to have it more formally re-engaged here.

13 | I wanted to advise the Court, and to some extent the  
14 | other parties who know different amounts of what I'm about to  
15 | say, of some issues that will have to come up. And I mention  
16 | them now, Your Honor, simply because as -- I could barely  
17 | scribble down all of the issues that Your Honor mentioned, but  
18 | it was just emblematic of the fact that on the one hand,  
19 | there's a lot of complexity.

20 | And the only observation I want to make about that is  
21 | it's very difficult to script a perfect mediation formula for  
22 | that complexity. And I just want to mention, but I have no  
23 | doubt, on the other hand, it will work out. It just can't all  
24 | be put into a simple formula.

25 | So I want to mention a few considerations that I



1 don't know if they'll impact the Order Your Honor will issue,  
2 or the initial considerations that Judge Houser and the other  
3 mediators may want to take into account, but they'll be  
4 relevant. And they're probably not unique to the Oversight  
5 Board.

6           The first is that we do plan on proceeding with the  
7 filing of our proposed plan. And of course Judge Houser can  
8 speak for herself, but suffice it to say that based on prior  
9 discussions, I don't think this would be inconsistent with  
10 anything the mediators were thinking of.

11           That plan, as Your Honor may already sense, and many  
12 of the creditors in the courtroom know, settles a lot of the  
13 issues that Your Honor mentioned earlier. And what this  
14 introduces is, if it settles the issues for some but not all,  
15 which it's likely to do, some vintage debt, GO debt will  
16 agree, some won't. Some -- and some vintage may agree and  
17 some of the same vintage may not agree.

18           There's going to be an issue as to whether the  
19 litigation should go forward for those who don't agree to the  
20 deal before we see if there's a plan that will -- you know,  
21 you only need two-thirds an amount, half plus one, a number,  
22 et cetera, for an accepting class. And then there are other  
23 cramdown standards.

24           So we're going to somehow have to work out whether  
25 some of these issues are better settled in the context of a

1 plan, if it's ultimately confirmed, or should be litigated  
2 first. And I just wanted -- all I'm saying now is we want the  
3 ability to speak about that with the mediators, to do this in  
4 a sensible way, and I think everyone wants that.

5 Second, and I'm speaking now of the financial  
6 creditors, very significant amounts of the financial holdings  
7 are in discussions with us through their various holders. And  
8 the discussions, some of them will actually be reflected in  
9 the plan we file. And some may not be far enough along, but  
10 no one who's participating in those discussions wants to stop  
11 them.

12 We want to find a way perhaps to coordinate them with  
13 the mediation, but they're all very positive and constructive.  
14 And perhaps the most important observation I can make about  
15 the discussions and the likely outcome with financial  
16 creditors is, and Your Honor has heard this before, and I'm  
17 speaking now about only the financial creditors, not the  
18 retirees, not the unions, these are other important issues  
19 with a lot of other ramifications. But on the purely  
20 financial creditors, Your Honor has heard this before, it's  
21 just about the money.

22 None of them that we know of or have met yet really  
23 care about vindicating a constitutional principle. They want  
24 to know either they're getting an amount they'll vote for or  
25 they won't. And if they won't, then the litigation, including

1 constitutional litigation, is fine with them. But if they do,  
2 they could care less, frankly.

3           So going back to my opening comment about this sounds  
4 very complex but it might get simple is a lot of the issues go  
5 away with settlement. And so what we're most looking forward  
6 to mediating and receiving assistance and guidance and  
7 whatever progress we can from the mediators, is figuring out  
8 the right way to schedule how these issues get resolved  
9 before, during or after confirmation, because we are  
10 optimistic that many of them will go away as a result of  
11 confirmation.

12           And, in fact, litigating them earlier might retard  
13 even the existence of a confirmation hearing or other things.  
14 And as Your Honor can tell, I -- I've articulated these things  
15 generally without a lot of precision, and I don't think they  
16 can be so much embodied in an order, but they are issues that  
17 we look forward to speaking with Judge Houser about at the  
18 outset so that we can do this in a sensible way to make a lot  
19 of progress.

20           In Your Honor's remarks, it was unclear, and I think  
21 a lot of people who follow me to the podium will ask whether  
22 some things might have been left out of the list intentionally  
23 or unintentionally. Among the ones I've been alerted to  
24 already are there's an adversary proceeding, number 280,  
25 against underwriters.

1 THE COURT: I think that that was intended to be on  
2 the list.

3 MR. BIENENSTOCK: Okay. We might have missed that.

4 There's a status conference for later today on some  
5 of the litigation. We think, based on Your Honor's comments,  
6 that's probably adjourned.

7 THE COURT: That's my intention.

8 MR. BIENENSTOCK: Some of the parties have tolling  
9 agreements obviously for Statute of Limitations reasons, and  
10 they're going to want methods of being able to extend them  
11 without violating any stay, and basically to maintain the  
12 status quo without changing leverage of the parties or  
13 violating a stay, et cetera. I don't have an exhaustive list  
14 of them, but again --

15 THE COURT: I didn't intend to preclude anything that  
16 will facilitate our being in stand-still, attention-shifted  
17 mode. So applications, particularly joint applications to  
18 continue tolling agreements are not precluded.

19 MR. BIENENSTOCK: Great.

20 And finally, Your Honor, I want to, on behalf of the  
21 Oversight Board, make very clear that it fully intends to go  
22 forward with its RSA, with the Retiree -- Statutory Retirees'  
23 Committee, to go forward with its RSA with the unions.

24 We made deals. We intend to keep our deals. The --  
25 and I don't think, and Your Honor can correct me, that Your

1 Honor said anything that would preclude that or would be  
2 contrary to that, but I just wanted to assure the parties  
3 we've dealt with that the deals we've made, we want to  
4 maintain.

5 THE COURT: My expectation and intention is that  
6 everybody walks into this room of sorting and triage, and one  
7 hopes productive discussions with whatever positions they  
8 have, and Judge Houser will work with you accordingly.

9 And in terms of issues lists, there is a general  
10 category of additional issues deemed appropriate by Judge  
11 Houser. And I imagine there are things that will come up and  
12 things that have not been on my radar screen that are  
13 important on the procedural side and on the substantive  
14 negotiation side.

15 MR. BIENENSTOCK: So the only additional comment I  
16 have, Your Honor, is that virtually everyone in the courtroom  
17 knows these mediators. They are truly terrific. We've known  
18 them before they were judges, while they are judges, in this  
19 mediation, and so we are optimistic this will help optimize  
20 the outcome.

21 And as Your Honor mentioned at the outset of this  
22 hearing, there are concerns, particularly for the people of  
23 Puerto Rico. Nothing works here unless they have a bright  
24 future. And that's somewhat reflected in the deals we have  
25 made with retirees and the unions.

1           They're two-way streets, but we think the -- they  
2       were win-win deals because the Commonwealth got the financial  
3       elbow room and feasibility that it needed, and the employees  
4       got what they needed, whether -- well, I don't want to start  
5       characterizing because I'll leave something out, but they were  
6       really calculated to be win-win, that -- we want to go forward  
7       with. And we are going to keep to them.

8           We're going to keep to our schedule, to file the plan  
9       as soon as reasonably possible. And we are going to  
10      vigorously and optimistically, you know, participate with the  
11      mediators to see if this can get done in the timeframe that  
12      Your Honor laid out. And we thank you for it.

13           THE COURT: Thank you, Mr. Bienenstock.

14           Judge Houser, did you want to say anything before the  
15      next speaker comes up? Judge Houser, are you muted again?

16           Okay. Did you want to say anything before the next  
17      speaker comes up? Judge Houser?

18           Well, let's have the next speaker come up.

19           HONORABLE CHIEF JUDGE HOUSER: Okay. The website is  
20      being difficult with respect to muting and unmuting, but I  
21      have now accomplished it, so that's a major step forward.

22           Yes. I did want to respond to Mr. Bienenstock, only  
23      to tell him that he said nothing that surprises me. And, in  
24      fact, I want them to file a plan as soon as possible, and I'm  
25      hoping that that will be done.

1 I am not asking things to stop. What I am asking is  
2 to be more involved in the process, or what I will be asking.  
3 And I completely agree, as I at least gently alluded in my  
4 remarks, that one way to resolve many of these issues is  
5 through confirmation of the substantially consensual plan.

6 I share his view that many of these issues may well  
7 be resolvable if we can come to an agreement on what's  
8 acceptable. And in hopes that that might minimize how many  
9 other people feel the need to speak, I wanted to assure  
10 Mr. Bienenstock and others that nothing he said surprised me.  
11 And we look forward to working with the parties, again, both  
12 on the process points, but I hope most importantly on the  
13 substantive points, because I would prefer to moot the need to  
14 decide these issues because agreements are reached than to  
15 simply come to an agreement on a process to litigate them.

16 THE COURT: Thank you, Judge Houser.

17 And Mr. Bienenstock has returned to the podium.

18 MR. BIENENSTOCK: Right. Not really to respond to  
19 Judge Houser, although I thank her for her remarks. I left  
20 out one important point, and Mr. Rapisardi allowed me to add  
21 it before he starts.

22 To show Your Honor that we really meant it, we'd like  
23 to add something to the mediation. Ambac and the Oversight  
24 Board are happy to put the PRIFA issue into that mediation.  
25 It doesn't mean it will necessarily be resolved in mediation,

1 but it very well might be.

2 And unless the Court has objections, because we know  
3 how hard the Court must have worked on it with all of the  
4 paper, we'd both be agreeable to adjourning the argument on  
5 that today to the future, if it's ever necessary.

6 THE COURT: I am happy to keep my homework in my  
7 bookbag. Thank you.

8 MR. BIENENSTOCK: Thank you.

9 THE COURT: We will add the PRIFA issues to the  
10 issues to be included in the discussions. Thank you.

11 MR. BIENENSTOCK: Thank you.

12 MR. RAPISARDI: Your Honor, John Rapisardi of  
13 O'Melveny Myers for AAFAF.

14 First of all, I want to thank Your Honor for this  
15 proposed solution as I see it, and it comes at a very welcome  
16 time given everything that we -- that the government are  
17 facing. It's something that we had asked for in the weeks  
18 leading up to today in terms of mediation, and we welcome  
19 Judge Houser and her team getting involved again.

20 Judge Houser was invaluable the last time around in  
21 terms of putting together COFINA, which was incredibly  
22 complex. The only question or issue we have is, and I  
23 understand Martin wanting to file the Plan of Adjustment, and  
24 I think that is a good thing because that presents a target, a  
25 benchmark for which everyone can shoot at or negotiate off of



1 or discuss. The concern we have is that it doesn't launch a  
2 cycle of litigation, if you will.

3 Will there be a disclosure statement hearing and the  
4 need to file objections to the disclosure statement during  
5 this 120-day period? Ideally, it would -- if we're true to  
6 the word, the concept of a stay, that that process -- while  
7 the disclosure statement plans are filed, that objections  
8 aren't going to be expected to be filed, because that's going  
9 to take a life of its own and an expense of its own.

10 THE COURT: The Order, the procedural aspect of the  
11 Order anticipates that either the consensual schedule, if  
12 that's the direction it goes, or the mediation team leader's  
13 report will include dealing with proposals for the timing of  
14 consideration of any disclosure statement and litigation in  
15 connection with a plan.

16 And hold on. I'm just trying to find that page in my  
17 draft order.

18 Yes. So the Order includes the procedural paragraph  
19 that says, the mediation team leader will facilitate the  
20 filing of agreed or substantially agreed scheduling orders  
21 with respect to, one, the stayed adversaries and contested  
22 matters that are listed; and two, if a plan of adjustment is  
23 filed for any Title III debtor, the process for considering  
24 approval of a disclosure statement and/or confirmation of any  
25 such plan of adjustment.

1 And so the expectation is that that timetable doesn't  
2 start to run until after the issues of priority timing --

3 MR. RAPISARDI: Yes.

4 THE COURT: -- and appropriate litigation vehicles  
5 have been discussed.

6 MR. RAPISARDI: That's fine, Your Honor. Thank  
7 you.

8 THE COURT: Thank you.

9 Did anyone else wish to be heard? Yes. I see some  
10 people coming.

11 MR. RAIFORD: Good morning. I think it's still  
12 morning, Your Honor. Landon Raiford from Jenner & Block for  
13 the Retiree Committee.

14 THE COURT: Good morning.

15 MR. RAIFORD: We support the stay. It may turn out  
16 that the devil is in the details, but we believe that the  
17 framework that Your Honor has laid out today will help at  
18 least give us some structure to the chaos that we have all  
19 worked so hard to create.

20 Alluding to Mr. Bienenstock's comments a little bit,  
21 the most important thing to the Retiree Committee is our deal  
22 with the Board which was announced at the last Omnibus  
23 Hearing. And our hope and our optimism for this process is  
24 that it will allow other creditor constituents to reach their  
25 own deals, which at the end of the day will allow our deal

1 with the Board to be approved through a plan.

2 And that's all I have, Your Honor. Thank you.

3 THE COURT: Thank you, Mr. Raiford.

4 I see Mr. Mudd was standing up from the back, so  
5 we'll hear from Mr. Mudd.

6 MR. MUDD: Good morning, Your Honor. John Mudd.

7 THE COURT: Good morning.

8 MR. MUDD: I represent Servicios Integral en la  
9 Montana, which is a Medicare-Medicaid provider, and Ms. Baul  
10 in San Sebastian, who is a creditor, also.

11 Now, I have unfortunately several doubts as to the  
12 application of the Order. My clients have constitutional  
13 claims. One of them provides essential services, you know,  
14 and we would like to know if the Order that you've issued  
15 includes them in terms of have they -- do they have to be  
16 involved in mediation?

17 And also, you also stated very recently, dealing with  
18 the proposal considerations of the disclosure, objections to  
19 the disclosure statement and the plan. Now, obviously we all  
20 know there will be several of that, and if we -- if this  
21 process will be determined somewhere, we would like to be  
22 involved. So I am at a little bit of a loss there.

23 THE COURT: Well, I'll give you a short answer. You  
24 filed pleadings in connection with the stay motion proposals  
25 and the procedural proposals, correct?

1 MR. MUDD: No, Your Honor.

2 THE COURT: You made some filings?

3 MR. MUDD: I made some filings, but as to the ADR  
4 procedures, which was another question I had. Are the ADR  
5 procedures going to go forward or not?

6 THE COURT: ADR procedures will be discussed in the  
7 next agenda item.

8 MR. MUDD: Okay.

9 THE COURT: So anyone who had filed pleadings or  
10 statements in connection with the stay motions, the adversary  
11 stay motions, that sort of thing, is presumptively in this  
12 process with Judge Houser.

13 As directed by Judge Houser, we did focus on the bond  
14 oriented adversaries in enumerating the listed adversaries.  
15 And so I -- my guess then would be if you didn't file anything  
16 about the stay motion, your client's adversaries are not  
17 specifically addressed.

18 So what I would suggest is that you can make a  
19 request to Judge Houser, and she is going to determine how all  
20 of this will be managed. And if you're not -- if your  
21 adversaries aren't on -- are not on that specific stay list, I  
22 think there are other procedural mechanisms going on with  
23 respect to timing, and it can be addressed in that context,  
24 because I can't sit here and start making promises and putting  
25 things in and out without risking creating some of the chaos

1 I'm trying to tamp down.

2 And in any event, this -- you know, this process is a  
3 120-day period. You know, we're not talking about forever,  
4 either stopping things cold or gunning an engine.

5 So Judge Houser, are you amenable to Mr. Mudd  
6 reaching out to you?

7 I think she has to unmute.

8 HONORABLE CHIEF JUDGE HOUSER: Yes, I am perfectly  
9 happy to have Mr. Mudd reach out to me.

10 MR. MUDD: All right. No problem. I'll do that.

11 One final thing, Your Honor. All these procedures,  
12 if Judge Houser determines, you know, Mr. Mudd, these things  
13 don't apply to you, all those procedures that will be agreed  
14 upon will not apply to any of the -- none of my clients, those  
15 things will not apply to them, correct?

16 THE COURT: I think that that is a question for  
17 consideration in the process that Judge Houser is organizing.

18 MR. MUDD: Sure.

19 THE COURT: Because I can't promise what will be on  
20 her list or not or what that will look like.

21 MR. MUDD: I will make the question to Judge Houser  
22 in writing.

23 THE COURT: Thank you.

24 MR. MUDD: Thank you.

25 THE COURT: Okay. So, Counsel --

1 MS. COHEN: Good afternoon. Julie Cohen from Skadden  
2 Arps on behalf of defendant Morgan Stanley and certain other  
3 of the adversary defendants.

4 In adversary proceeding 280, and I think we tried to  
5 clarify this before and I just didn't hear what the answer  
6 was --

7 THE COURT: If it wasn't on the list that I read, it  
8 should have been. It will be on the list in the Order.

9 MS. COHEN: Thank you, Your Honor.

10 THE COURT: Thank you.

11 Mr. Sosland.

12 MR. SOSLAND: Just a similar comment, Your Honor. We  
13 heard you stay the HTA lien avoidance action adversary  
14 proceedings in your comments. Those are numbers 362, 363, 364  
15 and 365. I did not see them on the list or hear you read  
16 them, so I wanted to point that out.

17 THE COURT: They will be on the list if they weren't  
18 when I read them. I'm sorry.

19 MR. GERBER: Your Honor, Toby Gerber of Norton Rose  
20 Fulbright, LLP, on behalf of the Puerto Rico Public Buildings  
21 Authority.

22 Your Honor, first, to state that we welcome the  
23 Court's Order, and I know it came as both a surprise and  
24 relief to a lot of people. But PBA is uniquely situated.  
25 We're an agency of the government, but we're not a Title III

1 entity. And we have been sued by the Oversight Management  
2 Board, and there are -- and the proposals have been made to  
3 restructure our debt without our participation.

4 So we welcome the opportunity to participate in the  
5 mediation. I did want to say that we would like to be able to  
6 reach out to Judge Houser in order to articulate a few of the  
7 issues that we have already presented indirectly to this  
8 Court, but are gating issues of the type you represented. And  
9 I wanted to make sure that would be okay with you and with  
10 Judge Houser.

11 THE COURT: I suspect it is. And I think, as Judge  
12 Houser said, she will be sending out a communication to all  
13 those involved in the stay matters, which of course include  
14 the PBA litigation parties.

15 So it may be that she will have a process for  
16 soliciting that sort of input from people who are on the list,  
17 but let me see if she wants to unmute and say anything more  
18 about how that should work.

19 Judge Houser?

20 HONORABLE CHIEF JUDGE HOUSER: I have decided that  
21 it's safer to stay unmuted.

22 THE COURT: That works.

23 HONORABLE CHIEF JUDGE HOUSER: So Mr. Gerber, I'm  
24 delighted to visit with you. You and the other parties that I  
25 believe are encompassed in this or representatives of them

1 will be getting a memorandum from me shortly.

2 We do have an idea of a process in mind of how to get  
3 together with people very promptly and hear what's on their  
4 list of important things and begin the dialogue, both on a  
5 procedural basis and then subject to mediation confidentiality  
6 on a substantive basis.

7 MR. GERBER: Thank you, Your Honors.

8 THE COURT: Thank you.

9 Ms. Miller.

10 MS. MILLER: Good afternoon, Your Honor. Atara  
11 Miller from Milbank on behalf of Ambac.

12 We echo the sentiments of others that we welcome  
13 this. I know I've stood up at the last number of Omnis and  
14 suggested that we needed a process that was more inclusive and  
15 that opened negotiations, and so we think that the  
16 participation of Judge Houser and the other mediation judges  
17 will move forward hopefully to a more consensual and less  
18 adversarial process.

19 With that, we just wanted to also confirm what  
20 Mr. Bienenstock said, that we have agreed and are amenable to  
21 adding the PRIFA issues to Judge Houser's docket, assuming  
22 she's willing to take them, as there is pretty significant and  
23 substantial overlap with respect to the issues raised in the  
24 stay motion.

25 We would like to still proceed on the 2004 discovery



1 request. We think that the need for information will  
2 facilitate the process. And so we would like to continue to  
3 have that. No? Oh.

4 MR. BIENENSTOCK: Your Honor, this is just a  
5 matter --

6 THE COURT: You have to come to the microphone.

7 MR. BIENENSTOCK: Your Honor, this is just a matter  
8 that this was all done in, you know, conversations in less  
9 than a minute before we reconvened.

10 Our understanding was that it's a package deal. If  
11 they don't want to adjourn the 2004, we're happy to argue the  
12 PRIFA motion today.

13 THE COURT: Well, why don't -- we are going to have a  
14 break for lunch before the PRIFA motion would come up, and so  
15 why don't you take that time to see if you can work things  
16 out. And I brought my school bag with me, so -- and Judge  
17 Dein has her school bag of 2004 information with her, too. So  
18 whichever way you call it, we will go that way.

19 MR. BIENENSTOCK: Thank you, Your Honor.

20 THE COURT: Thank you.

21 MS. MILLER: All right. So --

22 HONORABLE CHIEF JUDGE HOUSER: And Judge Swain, if I  
23 might add that if the parties agree that this should be added,  
24 I'm certainly willing to let it be added. I recognize there  
25 is substantial overlap among some of these issues.

1 THE COURT: Thank you for confirming that, and I'm  
2 afraid that I sort of sold you down the river on that earlier  
3 when I said "good." So thank you for agreeing.

4 MS. MILLER: So we'll confer further with counsel for  
5 the Oversight Board and advise the Court after lunch.

6 THE COURT: Thank you.

7 MS. MILLER: Thank you.

8 THE COURT: Yes, sir.

9 MR. ZOUAIRABANI: Good morning, Your Honor, all  
10 parties present. Attorney Nayuan Zouairabani of McConnell  
11 Valdes on behalf of the DLA parties.

12 Your Honor, just as a question on a housekeeping  
13 matter, this has to do with amended Agenda Item Roman numeral  
14 IV, subsection 15, which is docket 7154, the FOMB and UCC's  
15 Amended Motion Establishing Revised Procedures for Litigating  
16 Objections to Claims of GO bonds.

17 Given the scope of what is going to be subject to  
18 Judge Houser in the mediation, we suspect this is also  
19 included, but we did not see it on the list.

20 THE COURT: It is included, and I thought it was on  
21 the list, but if it is not, it will be. The intention is to  
22 stay the matters trying to construct procedures and particular  
23 silos so that there can be a look at things on a more  
24 crosscutting basis.

25 MR. ZOUAIRABANI: Okay. Thank you for clarifying,

1 Your Honor.

2 THE COURT: Thank you. It is on the list that we  
3 displayed. I might not have read the number, and if so, I'm  
4 sorry.

5 MR. MAYR: Good morning, Your Honor. Kurt Mayr of  
6 Bracewell, LLP on behalf of the QTCB Noteholder Group.

7 THE COURT: Good morning.

8 MR. MAYR: Good morning. One of the two noteholder  
9 groups of the parties to the Plan Support Agreement that has  
10 drawn such popular review by many of the folks in the  
11 courtroom --

12 THE COURT: Will you just project a little more?

13 MR. MAYR: Sure.

14 At the risk of being original, we understand your  
15 ruling and we welcome the opportunity to return to the  
16 mediation team and Judge Houser.

17 The process issues are unprecedented in their  
18 complexity, and we think whether or not there are things that  
19 will be folded into a plan process or whether or not they are  
20 going to be litigated separately, the mitigation team's help  
21 will be very important to helping move that issue forward.

22 I also look forward to continuing to work with the  
23 Oversight Board and the other parties to the PSA to broaden  
24 the tent of support for the plan. And I just want to confirm  
25 that since Mr. Bienenstock listed his deals with the Unions

1 and with the Official Retiree Committee, that we weren't  
2 mentioned, but I think we're still on that list.

3 Mr. BIENENSTOCK: (Nodding head up and down.)

4 THE COURT: And for those of you who don't have  
5 visual, Mr. Bienenstock just nodded very enthusiastically.

6 THE COURT: Mr. Kirpalani is headed up, and then  
7 we'll hear Mr. Hein after we hear Mr. Kirpalani.

8 MR. KIRPALANI: Okay. Good afternoon, Your Honor.  
9 Susheel Kirpalani of Quinn, Emanuel, Urquhart & Sullivan on  
10 behalf of the Lawful Constitutional Debt Coalition.

11 I, too, thank the Court for really taking the  
12 initiative here and imposing a stay on the parties who wish to  
13 litigate issues that, frankly speaking, I know Your Honor  
14 knows, we've worked around the clock to try to help figure out  
15 a way to resolve them.

16 A lot of folks in their opposition papers took some  
17 shots at what we put together and really glossed over the  
18 benefits. And I do think they're important for everyone  
19 that's going to participate in this process to understand.

20 First of all, even undisputed valid priority GO debt  
21 would be agreeing to cap their recoveries and allow adequate  
22 funding, on a long-term basis, of the pensioners, of all of  
23 the fiscal discipline that the Oversight Board has been  
24 seeking for the past several years to provide for --

25 THE COURT: Mr. Kirpalani, I just want to say, what I

1 don't want to start is a process in which you tout all the  
2 advantages and people feel compelled to come up and say why  
3 they don't like it. So there will be plenty of opportunity  
4 for discussion in the context of Judge Houser's proceedings.

5 MR. KIRPALANI: Yeah. That's fine, Your Honor.

6 THE COURT: And so I know that you wouldn't be in  
7 favor of it if you didn't think it was good.

8 MR. KIRPALANI: Yes, that is true. We look forward  
9 to working with Judge Houser. We've worked with her and her  
10 team before.

11 We even look forward, if it's at all possible, to  
12 working with Ad Hoc GO Group if there's a way to forge a  
13 consensus forward. If not, we'll litigate these issues in  
14 whatever way the Court deems appropriate.

15 We do thank you, though, for taking a moment, I  
16 think, of pause and recognizing what's going on outside, which  
17 a lot of the people involved in these cases seem to have been  
18 ignoring. So we appreciate that.

19 THE COURT: Thank you.

20 Mr. Hein, from New York.

21 MR. HEIN: Yes. Thank you, Your Honor. Peter Hein,  
22 pro se. I'll be very brief.

23 Your Honor, respectfully, it's my view that under  
24 U.S. Supreme Court precedent, including *Security Industrial*  
25 *Bank*, 459 U.S. 70, I do not believe a new bankruptcy regime

1 such as PROMESA can retroactively change the rules and rights  
2 for bonds bought pre-PROMESA.

3 Thus, I believe that if FOMB wishes to persist in its  
4 belated challenges to the validity, secured status of the  
5 bonds, then there has to be an adjudication. I do not,  
6 respectfully, believe that delaying that adjudication in the  
7 hopes of a plan is appropriate.

8 And just one final thing. I do very much care about  
9 vindicating the constitutional principle. Thank you.

10 THE COURT: Thank you.

11 Mr. Stancil.

12 MR. STANCIL: Thank you, Your Honor. Mark Stancil  
13 for the Ad Hoc GO Group.

14 I wanted to add points that I would hope it would be  
15 clear, but I want to make it explicit so there's no  
16 misunderstanding. We think this is a great step forward, and  
17 our clients, even though I'm the filer of quite a bit of paper  
18 challenging what has been proposed procedurally, we very much  
19 want an organized, logical and cohesive resolution to these  
20 interconnected issues.

21 We would -- furthermore, we would love a consensual  
22 resolution to the case. We think that's achievable, and we  
23 understand Your Honor's Order will contemplate a wide variety  
24 of issues that maybe we won't all agree on what issues we'd  
25 like to litigate now, but we think that with a meaningful and

1 robust approach to how to clear that up, that real progress  
2 could be made.

3 And I share Judge Houser's goal, and I know my  
4 clients do as well, that an actual global consensual  
5 resolution of all these issues, I think it's achievable and I  
6 think that's worth the hard work. So we wanted to be clear  
7 and say thank you. We agree.

8 THE COURT: Thank you, Mr. Stancil.

9 All right. I think -- oh, sorry, Mr. Despins.

10 MR. DESPINS: Good afternoon, Your Honor. Luc  
11 Despins for the Committee.

12 I add my thanks to the other comments that were made,  
13 and so we think that it's a great thing that the Court took  
14 initiative to list these issues that need to be addressed.

15 Procedurally, I want to make sure I understood Your  
16 Honor saying the Motion to Strike by Ambac is also stayed --

17 THE COURT: Yes.

18 MR. DESPINS: -- and I heard that. I think we need  
19 to understand how that works in the sense of clearly it's  
20 stayed. That part is easy. But, you know --

21 THE COURT: No more briefs.

22 MR. DESPINS: No. No. I understand that. But there  
23 are -- under the PSA, there are some milestones under which  
24 they can earn a fee of up to a hundred million dollars. So  
25 when we -- let's assume that no deal is reached for a second,

1 just to be negative, at the end of the process, have they  
2 acquired rights during the stay period?

3 I just want to put that in front of the Court. Not  
4 to decide it today, but I think that -- I want to make sure  
5 that that's on your radar screen because, for example, if they  
6 don't have 50 percent of a certain group, they would have no  
7 entitlement of the hundred million dollar fee.

8 I don't think they have reached that milestone today,  
9 so I think it's something that obviously you're not going to  
10 decide this on the fly like this, but I want to make sure that  
11 it's mentioned.

12 THE COURT: All right. So I would encourage you to  
13 speak, with or without Judge Houser's facilitation, with the  
14 proponents of the PSA about their positions on the managing of  
15 the stay of that motion practice and whether there's a set of  
16 mechanics that can freeze that or not. And if there's a  
17 dispute about that, you always seem to know where to find me,  
18 so --

19 MR. DESPINS: Okay.

20 THE COURT: -- I can be found.

21 MR. DESPINS: The next point, Your Honor, is since --  
22 and first, I apologize to Judge Houser for raising this  
23 without having discussed this with her, but I didn't see this  
24 coming today. But there is a matter in these cases that is  
25 substantial, we believe it's the whole ball of wax, but for



1 some reason has never been through mediation at all, which is  
2 PREPA.

3 And I want to be clear for my PREPA friends that  
4 we're not suggesting to change any dates in terms of when the  
5 hearing will be and all that. Just that it would behoove the  
6 parties to the process to attempt to resolve the PREPA issue  
7 through mediation between now and whenever the ultimate  
8 hearing date will be on this.

9 So again, I want to be clear, we're not seeking a  
10 stay in PREPA, but since we're dealing with all these crucial  
11 issues, PREPA is really critical to the whole case. And I  
12 think -- I may be missing something, but I don't think we've  
13 ever been through a mediation process with respect to the  
14 issues that are before the Court now.

15 So I know I'm -- that's not on the Agenda. I just  
16 want to suggest that that be considered, given that we're  
17 talking about broad mediation issues.

18 THE COURT: Judge Houser, did you wish to comment on  
19 that?

20 HONORABLE CHIEF JUDGE HOUSER: Well, I'm certainly,  
21 Mr. Despina, happy to visit with you and then other parties to  
22 the RSA to see if everyone's agreeable to including PREPA. So  
23 why don't we -- I'm glad you raised the issue. And why don't  
24 we take it up off line and include other parties that would be  
25 affected and see if we can come to agreement on that.

1 MR. DESPINS: Thank you.

2 Thank you, Your Honor.

3 THE COURT: Thank you, Mr. Despins.

4 Mr. Mayer is on his way up.

5 MR. MOERS MAYER: Yes, Your Honor. I had not  
6 expected to speak at all at this hearing. We'll, of course,  
7 always speak to Judge Houser. As I stand here today, we are  
8 looking forward to proceeding with a hearing on the 9019  
9 motion, but we will of course be happy to talk to Judge  
10 Houser. We're always available to talk.

11 THE COURT: Thank you.

12 Mr. Natbony.

13 MR. NATBONY: Thank you, Your Honor. William Natbony  
14 from Cadwalader on behalf of Assured.

15 We, too, would obviously want to be involved in any  
16 conversation with Judge Houser regarding PREPA or any other  
17 conversations that are had, but we are looking forward to and  
18 believe we should be going forward full force with the 9019  
19 hearing and that separate schedule with PREPA and moving  
20 forward with that.

21 Since Assured has also joined a number of the papers  
22 that are before Your Honor, I also want to join in the thank  
23 you on behalf of Assured for your thoughtful consideration of  
24 the issues and a process which we hope will lead to good  
25 benefits. And Assured looks forward to its active

1 participation in all those proceedings.

2 Thank you.

3 THE COURT: Thank you.

4 All right. It looks like everyone else is sitting,  
5 and so I declare a lunch break. And we will reconvene at  
6 1:15.

7 Thank you.

8 (At 12:18 PM, recess was taken.)

9 (At 1:21 PM, proceedings reconvened.)

10 THE COURT: Buenas tardes. Please be seated.

11 We are now up to item Roman IV.10 of the Agenda,  
12 which is the Debtors' Motion to Authorize Alternative Dispute  
13 Resolution Procedures. I have some more surprises for you, so  
14 why don't you have a seat.

15 So before hearing the parties' arguments concerning  
16 this motion, I'd like to set the stage with remarks that  
17 outline the Court's views on some of the more significant  
18 issues.

19 Judge Dein and I have reviewed carefully the motion  
20 for entry of an Order, A, authorizing alternative dispute  
21 resolution procedures; B, approving additional forms of  
22 notice; C, approving proposed mailing; and D, granting related  
23 relief, which is docket entry number 7224 in case 17-3283,  
24 which was filed by the Oversight Board on behalf of the  
25 Commonwealth, HTA, ERS and PREPA. We've also reviewed the

1 papers filed in opposition and reply thereto.

2 We are aware that debtors' counsel consulted with the  
3 Administrative Office of the United States Courts in  
4 formulating certain aspects of the motion, and we appreciate  
5 counsels' consideration of issues raised in that context.

6 The motion seeks entry of an Order, first,  
7 authorizing the use of Proposed Alternative Dispute Resolution  
8 Procedures, which are collectively referred to as the Proposed  
9 ADR Procedures. Second, approving a proposed Notice of Intent  
10 to Transfer to the Alternative Dispute Procedure, which is  
11 referred to as an ADR Notice, and a proposed Election Form for  
12 Alternative Dispute Resolution Procedure, which I'll refer to  
13 as the ADR Form. Third, approving a proposed mailing, which  
14 I'll refer to as the Proposed Mailing, and collectively with  
15 the ADR Notice and the ADR Form, as the Notice Materials,  
16 requesting certain information from claimants. And fourth,  
17 granting related relief.

18 Under the Proposed ADR Procedures, the debtors  
19 propose to select certain claimants to participate in a claim  
20 resolution process beginning with a settlement offer exchange,  
21 and then, if the claim remains unresolved, proceed to a  
22 summary adjudication based on documentary submissions to a  
23 United States Magistrate Judge, referred to in this context as  
24 the Claims Adjudication Judge, and culminating in a final  
25 order setting the allowed amount of the monetary aspects of

1 the claim, or if the claimant has not consented to  
2 adjudication by the Claims Adjudication Judge, a report and  
3 recommendation subject to objections and final resolution by  
4 the Title III Judge.

5           Claimants who are selected to participate in the  
6 claims resolution process would be afforded the opportunity to  
7 opt out. However, a claimant's failure to timely return the  
8 ADR Form would be deemed consent to participate insofar as a  
9 written offer would be made, and the claim, if unresolved,  
10 would go to a Claims Adjudication Judge for report and  
11 recommendation.

12           As a preliminary matter, I want to make it clear that  
13 the Court supports the implementation of an alternative  
14 dispute resolution process to facilitate fair and efficient  
15 resolution of claims. And I refer to alternative dispute  
16 resolution as ADR. Indeed, it's the Court's view that if  
17 properly devised and implemented, an ADR process could  
18 streamline significantly the claims resolution process to the  
19 benefit of the creditors, the debtors and the judicial process  
20 alike.

21           The Court also views the inquiry letter component of  
22 the proposal as a positive one. Mr. Rosen indicated this  
23 morning that similar efforts in connection with claim  
24 objections have already lead to clarity and the resolution of  
25 controversies.

1           That being said, the Court cannot approve the package  
2 of Proposed ADR Procedures and Notice Materials as submitted.  
3 There are a number of informational, structural and practical  
4 barriers to the approval and implementation of the current  
5 proposal.

6           First, because the debtors have neither provided the  
7 Court with nor included in the Proposed ADR Procedures  
8 sufficient detail regarding the types of claims intended to be  
9 subject to the ADR process, it's impossible for the Court to  
10 gauge whether the proposed adjudication procedures will be  
11 suitable for the claims that are not resolved through the  
12 non-judicial ADR portion of the process, or even whether the  
13 adjudication procedures would be feasible as a practical  
14 matter. More on this shortly.

15           Second, the proposed summary adjudication procedures  
16 are, in several respects, inconsistent with the governing  
17 federal statutes and rules, including 28 U.S. Code Section  
18 636, and they do not appear likely to meet the requirements of  
19 due process, particularly insofar as matters involve genuine  
20 factual disputes, or even to be administratable in an  
21 efficient way. If, for example, the claims that cannot be  
22 resolved through the exchange of offers on paper are likely to  
23 present factual disputes, the sort of summary adjudication on  
24 paper records that is contemplated by the proposal would not  
25 be consistent with due process, and evidentiary proceedings

1 will be required.

2           Such proceedings will present significant logistical  
3 challenges, since we will not be able to provide  
4 Commonwealth-based Claims Adjudication Judges. And as the  
5 number of potentially available Magistrate Judges is low,  
6 there is limited capacity to conduct large numbers of  
7 evidentiary proceedings. So the process would likely be  
8 neither quick nor economical.

9           This problem leads the Court to suggest revisitation  
10 of the feasibility of a much more robust, multilayered  
11 prelitigation non judicial ADR component. Summary judgment on  
12 a sufficient paper record is a well grounded, useful tool for  
13 adjudication of disputes that are in essence legal and do not  
14 involve issues of fact. Federal judges cannot, however,  
15 perform summary adjudications of factual disputes on informal  
16 paper records. That -- the latter is an ADR technique that  
17 could be created and implemented outside of judicial  
18 proceedings on a purely consensual basis, but cannot be  
19 adopted as an operating standard for federal judicial  
20 processes.

21           For these and other reasons that I will discuss, the  
22 Court is inclined to deny the motion without prejudice to  
23 renewal or adjourn it pending the submission of revised  
24 proposed procedures that comport with the specific feedback  
25 and guidelines that I'll now outline.

1           As noted, the Proposed ADR Procedures and the Notice  
2 Materials lack sufficient information regarding the nature of  
3 the claims that the Oversight Board intends to refer to the  
4 ADR process. The Oversight Board has essentially proposed one  
5 uniform procedure intended to resolve tens of thousands of  
6 claims, which it describes only as general unsecured claims,  
7 including unliquidated claims that are more substantive in  
8 nature.

9           Absent additional details concerning the types of  
10 claims anticipated, however, the Court finds it impossible to  
11 evaluate the process in a meaningful way. More specific  
12 information regarding the categories of claims that the  
13 debtors intend to channel into the ADR component and then to  
14 structured litigation, if necessary, will also aid counsel for  
15 other parties in interest in understanding and one hopes being  
16 receptive to the ADR component.

17           The debtors have represented in their papers that  
18 claims asserting liabilities arising from funded indebtedness  
19 or the Commonwealth's clawback of revenues will not be subject  
20 to the ADR process, and further, that they do not presently  
21 intend to transfer into the ADR procedures claims arising out  
22 of union grievances, tax refunds or employee benefits,  
23 including pension claims to the extent that they are  
24 administrative in nature and related to the entitlement or  
25 quantification of benefits pursuant to existing benefit



1 programs.

2           These statements are helpful, but they do not tell  
3 the Court or the creditor body what types of claims the  
4 debtors do intend to refer to the ADR process. As I noted  
5 earlier, additional information regarding the likely character  
6 of the disputes, for example, are they likely to be contract  
7 interpretation or about eligibility for a particular public  
8 program, on the one hand, or on the other, disputes regarding  
9 whether and to what extent a personal injury claimant is  
10 entitled to damages, that sort of information is necessary to  
11 enable the Court to determine whether it can provide a team of  
12 Claims Adjudication Judges that would be sufficient in number  
13 and have sufficient available time and resources to address  
14 the anticipated volume of claims that are ultimately to be  
15 resolved through litigation.

16           Thus, any renewed application or supplemental  
17 application must identify, to the extent possible, the claims  
18 at issue, as well as the nature of the determinations likely  
19 to be required. Identification of the likely numbers of  
20 claims the debtors would channel to the process would be very  
21 helpful as well.

22           By providing such information, the debtors will also  
23 enable the Court to assess whether there are means by which  
24 resources can be leveraged into opportunities to address  
25 common legal issues efficiently, and to identify the volume of

1 matters that are likely to require evidentiary proceedings and  
2 factual determinations.

3 In this regard, any new procedures should provide  
4 that similar claims that are ultimately referred to judges  
5 will be grouped together. This will enable the Court to  
6 maximize the efficiency of assignments among Claims  
7 Adjudication Judges if litigation is required.

8 The offer exchange portion of the proposed process is  
9 the only true ADR component of the current proposal. The  
10 claims adjudication phase, as it is currently proposed, is  
11 necessarily a litigation phase, as it involves federal judges  
12 and decisions on the merits in Federal Court. And if it  
13 maintains that character, it will need to comply with Federal  
14 Court adjudication procedures.

15 The Court notes that it has carefully reviewed the  
16 ADR procedures adopted in the City of Detroit bankruptcy case,  
17 which I'll refer to as the Detroit ADR Procedures. Those do  
18 recognize clearly the distinction between ADR techniques and  
19 litigation and are focused on the ADR techniques. They're  
20 clear. They're also informative in terms of their sequential  
21 use of different ADR methods prior to litigation.

22 The first phase of the Detroit ADR Procedures  
23 involved an offer exchange process commenced by the City of  
24 Detroit's service of an ADR notice, among other materials.  
25 Notably, unlike the Proposed ADR Procedures here, the Detroit

1 ADR Procedures did not provide for an automatic waiver of  
2 rights in connection with the final determination of a claim  
3 in the event that a claimant failed to respond.

4           If the offer exchange did not facilitate a  
5 settlement, the matter was sent for a, quote, unquote, case  
6 evaluation, which was to utilize procedures borrowed from  
7 local court rules to obtain a non-binding, confidential,  
8 monetary valuation of each claim to serve as a focal point for  
9 ongoing settlement negotiations between the parties. The  
10 Detroit ADR Procedures recognize that the parties could either  
11 accept or reject the case evaluators' valuations.

12           Next, the Detroit ADR Procedures provided that if the  
13 case did not settle after the case evaluation, and only upon  
14 the parties' consent, the claim would proceed to binding  
15 arbitration, which included, among other procedural  
16 protections, the mutual exchange of limited discovery. In the  
17 event that the parties did not settle their claims, they would  
18 proceed to litigation, either in bankruptcy or non-bankruptcy  
19 court. The procedures did not seek to define the scope or  
20 nature of the litigation proceedings.

21           The exchange of written settlement offers, mediation  
22 or non-binding case evaluation by either mediators or lawyers  
23 not employed by the Court or even by magistrate judges, and  
24 consensual non-binding -- sorry, consensual binding  
25 non-judicial arbitration are all alternatives to and are

1 entirely separate from judicial resolution of disputes. These  
2 additional methods could be used here prior to the invocation  
3 of court processes or as temporary or permanent off-ramps from  
4 court processes, and could, in the Court's view, help to avoid  
5 a premature overload of the litigation process.

6 This Court urges the Oversight Board to determine --  
7 to develop a more robust ADR component that can be invoked  
8 prior to litigation, or as a true off-ramp during the course  
9 of the litigation process, such as for contested claims  
10 objections.

11 The Court now turns to the aspects of the motion that  
12 concern the manner in which matters are to be addressed by  
13 Claims Adjudication Judges and the solicitation of consents to  
14 final adjudication by magistrate judges. There are some  
15 fundamental problems with these aspects of the current  
16 proposal.

17 The Proposed ADR Procedures elide ADR and  
18 adjudicative proceedings in a manner that's neither feasible  
19 nor appropriate in that they contemplate the use of federal  
20 magistrate judges to conduct summary proceedings on records  
21 that might be suitable for arbitrations or mediations but  
22 appear unlikely sufficient to meet the requirements of due  
23 process as reflected in the relevant rules of procedure and  
24 evidence.

25 The proposed summary adjudication procedures afford

1 the claimants no right to obtain discovery from the debtors;  
2 they limit the parties' submissions to five-page position  
3 papers along with exhibits; they contemplate deemed consent to  
4 proceed in a summary fashion before a Claims Adjudication  
5 Judge; and they offer no indication as to how the Claims  
6 Adjudication Judges are to resolve factual disputes.

7 I first note that the consent issue is a limited one  
8 in connection with the litigation aspects of the proceedings,  
9 but the timing and manner of solicitation of the consent are  
10 important. The only consent that would be relevant, effective  
11 and necessary in connection with the use of magistrate judges  
12 for litigation is consent pursuant to 28 U.S.C. Section  
13 636(c), to adjudication of the claim by a magistrate judge  
14 with a direct appeal to the First Circuit.

15 As the parties are aware, magistrate judges are  
16 judicial officers. With the parties' consent, the magistrate  
17 judge has the same authority as the district judge with the  
18 same rights of appeal to the First Circuit. 28 U.S.C. Section  
19 636 requires that this consent be solicited in a non-coercive  
20 manner and at the time the litigation phase of the controversy  
21 begins, rather than in advance of the use of ADR procedures.

22 The district judge can refer matters to the  
23 magistrate judge without the parties' consent for  
24 nondispositive pretrial management, for report and  
25 recommendation on dispositive matters, or for both. If

1     dispositive matters are referred, the magistrate judge can  
2     issue a report and recommendation to which the parties have  
3     the right to object, in which case the district judge reviews  
4     de novo the magistrate judge's determination.

5             With respect to the adjudication procedures  
6     themselves, while certain streamlining, such as page limits,  
7     taking matters on submission unless the circumstances require  
8     hearings, and other provisions typical of case management  
9     orders may be feasible and consistent with due process, the  
10    record created for adjudication and the method of adjudication  
11    must be sufficient to provide the judge with the requisite  
12    legal submissions and factual information in evidentiary form  
13    to make and document a reasoned decision and for testimony  
14    where credibility determinations are at issue.

15            Discovery from the debtors can't be eliminated  
16    entirely, and it is unrealistic to expect that the offer  
17    exchange phase will be sufficient to develop a proper  
18    litigation record. For a start, the Court suggests that the  
19    debtors' initial settlement offer letter in the ADR phase be  
20    accompanied by documentation and an explanation putting that  
21    settlement offer into context. That may help to engage  
22    claimants in that part of the process and it would also  
23    provide a foundation for the construction of a litigation  
24    record if litigation becomes necessary.

25            It may also be -- it must also be sufficient to

1 support review by the District Judge in connection with  
2 objections to a report and recommendation and/or review by the  
3 First Circuit upon appeal of the final decision. To be clear,  
4 summary judgment is available where there are no genuine  
5 factual disputes and a party is entitled to judgment as a  
6 matter of law, but summary adjudication of material factual  
7 issues based on conflicting declarations and/or attorney  
8 arguments is not a procedure that can properly be undertaken  
9 by a federal judge, whether district or magistrate.

10           Moreover, the five-page limit proposed for briefing  
11 seems likely to be insufficient to permit the parties to  
12 convey their full legal and factual arguments in a manner that  
13 will enable the judge to assess and adjudicate the dispute  
14 efficiently. The fact that attachments are unlimited also  
15 means that the five-page limit may not in fact result in  
16 efficiencies, and may lead to waste of the judge's time in  
17 trying to glean information from the attachments.

18           For pro se litigants, an explanation of the summary  
19 judgment process and what is required in terms of proffers  
20 would also be appropriate, and I would refer you for an  
21 exemplar to Local Civil Rule 56.2 of the Southern District of  
22 New York. If any part of a pro se claimant's submission is  
23 not in English, the debtor will be required to provide a  
24 certified translation of the submission.

25           Finally, the Court finds the ADR Form and the ADR

1 Notice to be inadequate and somewhat confusing and, as such,  
2 in need of revision. By way of example, claimants should be  
3 told more clearly that the purpose of the ADR process is to  
4 fix an allowed claim in an amount that will later be  
5 translated into an actual payment amount, which is likely to  
6 be a fraction of the allowed claim number, in the context of a  
7 future plan confirmation proceeding.

8 Furthermore, the ADR Notice and/or the ADR Form  
9 should be clear about any binding ADR methods for which  
10 consent is being solicited if you go in that direction, and it  
11 should not purport to elicit consents to adjudication by  
12 magistrate judges or modification of court procedures. It  
13 should distinguish accurately between ADR procedures and  
14 litigation. It can describe the role of the Claims  
15 Adjudication Judge, both where the claimant consents to  
16 adjudication under 636(c) and where the claimant withholds  
17 such consent, but it should not suggest that that Claims  
18 Adjudication Judge's role is part of an alternative dispute  
19 resolution process.

20 So in summary, any renewed or supplemented  
21 application must first distinguish clearly between ADR and  
22 litigation proceedings. Next, clarify and specify the types  
23 of claims that will and will not be channeled into the ADR  
24 process to the greatest extent possible, and provide any  
25 available insight into the likely numbers of types of claims



1 and likelihood of fact-based disputes that will flow through  
2 the process.

3           Next, provide for some meaningful level of  
4 information disclosure by the debtor in conjunction with the  
5 first settlement offer, and not prohibit record augmentation  
6 at the litigation phase.

7           Next, it must remove the provision for claimant's  
8 consent to adjudication by a Claims Adjudication Judge from  
9 the original agreement to enter the ADR process given that  
10 Section 636(c) requires that consent opportunity be offered at  
11 the commencement of the litigation phase and be non-coercive.

12           Next, it must devise a mechanism for grouping  
13 unresolved claims that proceed to litigation before the Title  
14 III judge and/or the Claims Adjudication Judges by substantive  
15 area in a manner that will permit binding adjudication of  
16 common legal issues before evaluation of facts unique to  
17 particular claims, and by likelihood of the need for  
18 evidentiary proceedings. The Oversight Board might also  
19 consider building a mechanism for sending claims with common  
20 legal issues back to some ADR process after the determination  
21 of key legal issues and before adjudicatory proceedings  
22 involving factual determinations.

23           Next, it should revise the streamlined adjudication  
24 process to ensure a record that is sufficient for adjudication  
25 and appellate review.

1           And finally, the notice materials should be revised  
2 to reflect the changes and address the concerns that I have  
3 outlined.

4           So I'm now calling a 15-minute break for reflection  
5 before reaction, unless you don't need it.

6           MR. ROSEN: I don't, Your Honor. I think I can  
7 respond very quickly.

8           Your Honor, with respect to your suggestions, we'll  
9 obviously read the transcript again and try to revise the  
10 procedures in accordance with your directive. And we'll also  
11 be in touch again with the Administrative Office of the United  
12 States Courts just to make sure that we're working in  
13 compliance with what their wishes are.

14           THE COURT: Great. And we'll obviously update them  
15 on precisely what was said here.

16           MR. ROSEN: If I could ask the Court to enter an  
17 Order with respect to, one, supplementing the procedures as  
18 you suggested, or giving us time to do that and coming back to  
19 the Court; but if I could ask the Court to enter an Order  
20 today, or as soon as possible, authorizing the proposed  
21 mailing that was in that motion itself --

22           THE COURT: That's the inquiry letter part?

23           MR. ROSEN: Exactly, Your Honor. That is critical to  
24 moving forward to any claims reconciliation in these cases,  
25 and we want to get that out. It's going to have to be staged

1 | because of the multitude of letters that have to go out, but  
2 | we'd like to begin that process the first week in August. And  
3 | getting Court approval of that as soon as possible would be  
4 | very helpful.

5 | THE COURT: So will you send me a clean order that  
6 | just deals with that?

7 | MR. ROSEN: We will do that, Your Honor.

8 | THE COURT: And I don't think I saw any significant  
9 | -- or any objection to that aspect of the proposal.

10 | MR. ROSEN: No.

11 | THE COURT: And in any event, as you say, you need  
12 | that to --

13 | MR. ROSEN: Right. There were only two responses,  
14 | Your Honor, to the motion itself, and neither of those went to  
15 | the proposed mailing itself. We can propose an order that  
16 | will deal with what you suggested as far as deferring  
17 | consideration of that, of the procedures themselves, and then  
18 | authorizing the mailing.

19 | THE COURT: That would be terrific. So if you get  
20 | that to me as soon as possible, I will deal with that  
21 | promptly.

22 | MR. ROSEN: Very much appreciated. Thank you.

23 | THE COURT: And thank you for all the work you've  
24 | done so far. And I look forward to having a full process in  
25 | place.

1 MR. ROSEN: Thank you, Your Honor.

2 THE COURT: Thank you.

3 So it is time for an update on PRIFA. Ms. Miller.

4 MS. MILLER: Good afternoon, Your Honor.

5 So we conferred during the lunch break, and AAFAF has  
6 agreed to provide us with certain we'll call publicly  
7 available but potentially hard to find information, including  
8 any documents governing the flow of funds and then documents,  
9 public documents evidencing payments of rum taxes to the  
10 Commonwealth, as well as to make an inquiry of Hacienda or  
11 another relevant entity who would know the information  
12 regarding whether the wire transfers from the LockBox account  
13 have a particular designation on them with regard to on whose  
14 credit they're being deposited for.

15 With that, we have also agreed with the Oversight  
16 Board and AAFAF to submit the remaining issues and requests in  
17 the 2004 discovery motion to the mediation process and to  
18 address them in that context. So I think that resolves both  
19 of the motions today.

20 THE COURT: Very good. So shall I adjourn both of  
21 those motions to the December Omni control date?

22 MS. MILLER: I think that's right. Yes.

23 MR. BIENENSTOCK: (Nodding head up and down.)

24 THE COURT: Thank you.

25 MS. MILLER: Thank you.

1 THE COURT: Thank you. I am glad to hear that this  
2 is the resolution for the short term and that those issues  
3 will go into the larger discussions.

4 So I think that completes everything that is on the  
5 prepared Agenda. Is there anything else that we need to  
6 address this afternoon?

7 (No response.)

8 THE COURT: Seeing no hands, I will say that this  
9 concludes today's agenda.

10 I'm sorry. Judge Dein, did you want to say anything?

11 HONORABLE MAGISTRATE JUDGE DEIN: I'm always going to  
12 schedule my hearings for the day after yours.

13 THE COURT: Judge Dein says she's always going to  
14 schedule her hearings for the day after mine.

15 And Judge Houser, if you are back, did you want to  
16 say anything?

17 (No response.)

18 THE COURT: I think she may not be back yet, but she  
19 knows precisely what we're doing and we'll inform her about  
20 PRIFA.

21 So this concludes today's agenda. The next scheduled  
22 hearing date is Tuesday, July 30th, in Boston with video  
23 connection to San Juan, unless Judge Dein hears that there's  
24 some agreement to another process that would obviate the need  
25 for that. And if there is going to be, please let her know

1 | sooner rather than later.

2 |           And then on Friday the 2nd we have the argument on  
3 | the Oversight Board's litigation against the Governor and the  
4 | Governor's Motion to Dismiss that Complaint.

5 |           I would like to thank the court staff here in Puerto  
6 | Rico, in Boston and in New York for their ongoing work in  
7 | connection with these cases. And I wish you all safe travels  
8 | and that you will keep well. Thank you.

9 |           (At 1:50 PM, proceedings concluded.)

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1 U.S. DISTRICT COURT )  
2 DISTRICT OF PUERTO RICO)

3  
4 I certify that this transcript consisting of 111 pages is  
5 a true and accurate transcription to the best of my ability of  
6 the proceedings in this case before the Honorable United  
7 States District Court Judge Laura Taylor Swain, the Honorable  
8 United States Magistrate Judge Judith Gail Dein and the  
9 Honorable United States Bankruptcy Court Chief Judge Barbara  
10 J. Houser on July 24, 2019.

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14 S/ Amy Walker

15 Amy Walker, CSR 3799

16 Official Court Reporter

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